

Bromley

Pension Update



Spring 2017

Bromley pension newsletter



Retiring after normal pension age

Your Normal Pension Age (NPA) is the date at which you can retire and receive full benefits. In the Local Government Pension Scheme that is age 65 or the date from which you will receive your State Pension, if later.

If you carry on working after your NPA, you can continue to pay into the Local Government Pension Scheme, building up further pension benefits. Your pension has to be in payment by your 75th birthday.

As you will already have passed your NPA when you retire, there will be no early retirement reductions applied to the benefits and, instead, your benefits will be paid at an increased rate.

The factors used for calculating the late retirement increases are published by the Government Actuary's Department (GAD), and have recently been revised to take account of current conditions and trends such as increased life expectancy.

From 4 January 2017, if you retire after NPA, your annual pension will be increased by 0.010% for each day after the day that you attained normal pension age. Had you retired before 4 January 2017 the appropriate factor was 0.014%.

If you had Scheme membership before 1 April 2008, you will also be entitled to an automatic tax-free lump sum. This will be increased by 0.001% for each day after the day that you attained NPA. Had you retired before 4 January 2017 the appropriate factor was 0.007%

Example:

Anne's normal pension age (NPA) was 65, which fell on 1 July 2016, but she decides to retire on 31 March 2017, which is 274 days after her NPA (1 July 2016 to 31 March 2017).

Her accrued annual pension is £5,000 and her automatic lump sum is £7,000. The increases for late retirement would be calculated as follows:

Annual Pension: £5,000 x 274 x 0.010% = £137.00

Lump Sum: £7,000 x 274 x 0.001% = £19.18

The benefits that Anne will receive from 1 April 2017 are, therefore:

Annual Pension: £5,137.00

Lump Sum: £7,019.18

Automatic Enrolment

To encourage more people to save for their retirement, legislation introduced in the UK in 2012 requires all employers to enrol their employees in a pension scheme at work if they do not already have one. This is known as auto-enrolment, and the Local Government Pension Scheme (LGPS) is a qualifying scheme for auto enrolment purposes, because it meets the Government's standards.

If you are already a member of the LGPS, then your membership is not affected.

If your employer offers LGPS membership, and you qualify but have opted out, depending on your age and earnings, you will be automatically enrolled back into the LGPS. Automatic re-enrolment takes place every three years after your employer's initial auto-enrolment date. You may opt out again if you wish, but you must be enrolled in the LGPS before you can opt out. This is a legal requirement.

Every year, the Department for Work and Pensions (DWP) reviews the earnings thresholds for automatic enrolment. The changes take place on 6 April each year.

The proposed thresholds for the 2017/2018 tax year are as follows:

Lower level of qualifying earnings **£5,876**
Earnings trigger for automatic enrolment **£10,000**

This means that, if you are aged between 22 and State Pension Age, you will, if not already in the LGPS, be automatically enrolled once your annual rate of pay exceeds £10,000. If you are between age 16 and 74, and would not automatically be enrolled, then you may make an election to join the LGPS at any time.

If you are employed by the London Borough of Bromley

When automatic enrolment was first introduced, employers could opt to delay enrolling their eligible employees who were not already in the Scheme at their staging date. Those employees could, of course, choose to join the Scheme at any time. The London Borough of Bromley opted to delay automatic enrolment for their eligible employees at their staging date of 1 March 2013 for the full transitional period. This transitional period ends on 30 September 2017, and **so all eligible employees of the Council who are not already in the Scheme, and have been subject to transitional delay, will be automatically enrolled from 1 October 2017.**

Any Scheme member can, however, elect to opt out of the pension scheme at any time after joining the Scheme by completing an Opt-out form, which is available from Liberata Pensions. If you are concerned about the cost of remaining in the Pension Scheme, then rather than opting out completely, you may wish to consider moving to the '50/50' Section of the Scheme.

The 50/50 Section

The Local Government Pension Scheme now allows members to elect to contribute 50% of the normal rate of contribution, and receive 50% of the pension benefit. This means that the pension will accrue at the rate of 1/98th of pensionable pay, instead of 1/49th, for the period that the election is in force.

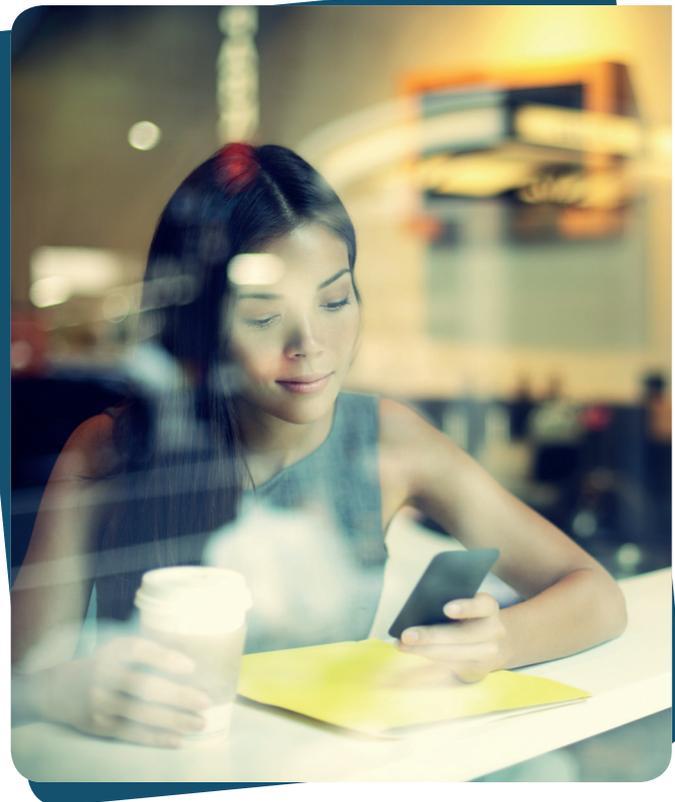
Regardless of which Section you are in you get full life assurance cover, full ill health cover and full survivor benefits in the event of your death.

A person cannot elect for the 50/50 Section before the employment has commenced, before being enrolled

automatically by their employer, or before opting in. Members can elect to move from the Main Section to the 50/50 Section and back again as many times as they wish. A member in the 50/50 Section always has the right to elect to rejoin the Main Section following the beginning of the next pay period after their election.

If you have more than one job you can elect for the 50/50 Section in one, some or all your jobs.

If you choose to move to the 50/50 Section any extra pension contributions or additional voluntary contributions (AVCs) would continue to be payable in full (not at half rate). The only exception to this is that any additional pension contributions (APCs) you are paying to purchase extra pension would have to cease (unless those APCs are to purchase pension 'lost' during a period of authorised unpaid leave or absence or during a period of unpaid additional maternity, paternity or adoption leave).



The 50/50 Section is designed to be a **short-term** option for when times are tough financially. Because of this your employer is required to put you back into the main section of the LGPS approximately three years from the date they first have to comply with the automatic enrolment provisions of the Pensions Act 2008 (and approximately every three years thereafter). Your

Bromley pension newsletter

employer will move you back into the Main Section of the scheme at that time irrespective of when your election to join the 50/50 Section took place (even if, for example, you had only elected for 50/50 the previous month). Your employer will tell you when this is about to happen. If you wish to continue in the 50/50 Section at that point you would need to make another election to remain in the 50/50 Section.

Your employer cannot ask you or force you to join the 50/50 Section. If, however, you wish to do so, you can do this by completing and returning an Election to change from Main Section to '50/50' Section Form which is available from the Pensions Team.

CONTRIBUTIONS RATES FOR 2017/2018

The rate of pension contributions that you pay each year is reassessed by your employer at the beginning of each tax year, according to your level of pensionable earnings. The earnings bandings are reviewed each year in accordance with changes to the Consumer Prices Index, and the bandings for 2017/2018 are shown below:

Band	Actual pensionable pay for an employment	Contribution rate for that employment	
		Main section	50/50 section
1	Up to £13,700	5.5%	2.75%
2	£13,701 to £21,400	5.8%	2.9%
3	£21,401 to £34,700	6.5%	3.25%
4	£34,701 to £43,900	6.8%	3.4%
5	£43,901 to £61,300	8.5%	4.25%
6	£61,301 to £86,800	9.9%	4.95%
7	£86,801 to £102,200	10.5%	5.25%
8	£102,201 to £153,300	11.4%	5.7%
9	£153,301 or more	12.5%	6.25%

TAX CHANGES

There are two types of pension taxation that you need to be aware of, the lifetime allowance and the annual allowance.

The Lifetime Allowance

The lifetime allowance is the total value of all pension benefits you can have during your working life without triggering an excess benefits tax charge. To calculate your lifetime allowance percentage, multiply your annual pension by 20, adding in any lump sum and Additional Voluntary Contributions (AVCs), then divide the total of that by the lifetime allowance limit x 100.

The lifetime allowance covers any pension benefits you may have in all tax-registered pension arrangements – not just the LGPS.

The lifetime allowance for 2011/12 was £1.8 million and reduced to £1.5 million for 2012/13. It remained at £1.5 million for 2013/14, for 2014/15 and 2015/16 was £1.25 million and for 2016/17 was reduced to £1 million.

If the value of your pension benefits when you draw them is more than the lifetime allowance or more than any protections you may have, you will have to pay a tax charge on the excess benefits.



The lifetime allowance tax charge is:

- 55% of any amount you take from your pension savings as a lump sum that is over the lifetime allowance, and
- 25% of any amount you take from your pension savings as pension income that is over the lifetime allowance.

You may apply for **Individual Protection 2014 (IP14)** if your pension benefits were valued above £1.25 million as at 5 April 2014. If your application is successful, you will be entitled to a protected lifetime allowance equal to value of your benefits as at 5 April 2014 up to a maximum of £1.5 million. You have until 5 April 2017 to apply for IP14. You can find more information about how to do this at <https://www.gov.uk/tax-on-your-private-pension/>

If you have not contributed to the Pension Scheme since 5 April 2016, and your pension benefits were worth more than £1.25 million at 5 April 2016, you may apply for **Fixed Protection 2016 (FP16)**. You can still apply if you already have individual protection 2014 or 2016 in place (FP16 will be dormant until you lose your previous protection - you should tell HMRC in writing). FP16 protects your lifetime allowance at £1.25 million, but if you later make further contributions to your pension, then this protection will be lost. There is no deadline for applications for FP16.

You may apply for **Individual Protection 2016 (IP16)** if your pension benefits were worth more than £1 million at 5 April 2016. You can still apply if you already have some previous protection in place. IP16 protects your lifetime allowance to the lower of the value of your pension at 5 April 2016 and £1.25 million.

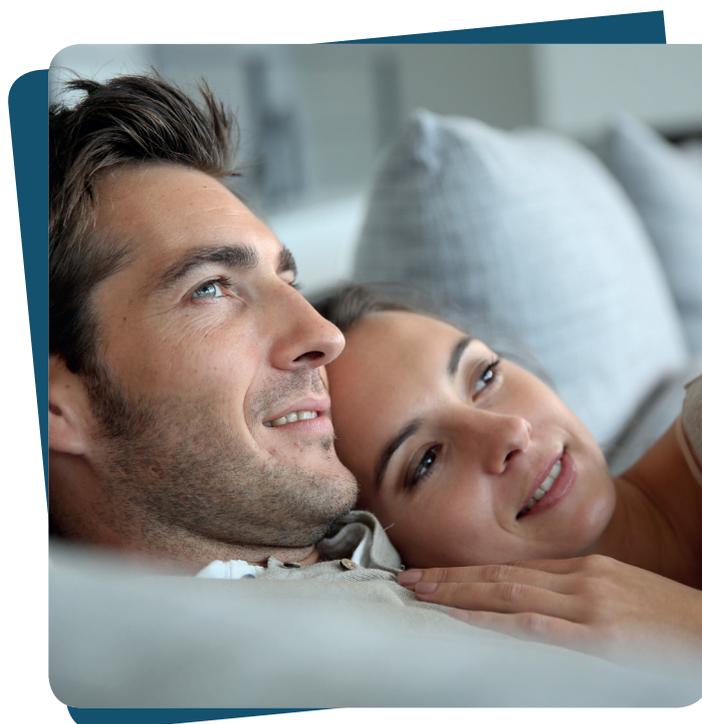
For further information on lifetime allowance including applying for any protection visit HMRCs website:

www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

The Annual Allowance

This is the amount by which your pension benefits may increase in any one year without having to pay a tax charge.

The 'pension input period' (PIP) is the period over which your pension growth is measured.



The annual allowance for tax years 2011/12 to 2013/14 was £50,000.00 and for 2014/15, 2015/16 and 2016/17 it is £40,000.00. You may be able to top this up with unused allowance from the previous 3 tax years.

How is pension growth calculated?

The increase in the value of your pension savings each year is calculated by working out the value of your benefits immediately before the start of the PIP, increasing the value by inflation and then comparing it with the value of your benefits at the end of the PIP.

Since 6 April 2016, PIPs for all pension schemes are aligned with the tax year – 6 April to 5 April. Prior to 2016/17 the PIP for the LGPS was 1 April to 31 March, except for the year 2015/16 when special transitional rules applied.

In the Local Government Pension Scheme (LGPS) the value of your pension benefits is calculated by multiplying the amount of your annual pension by 16 and adding any lump sum you are automatically entitled to from the pension scheme, plus any AVCs you or your employer have paid during the year. If the difference in the value of pension benefits at the end of the PIP less the value of your pension benefits immediately before the start of PIP (adjusted for inflation), is more than the annual allowance limit, you may be liable to pay a tax charge.

Bromley pension newsletter

Each year you will be sent a pensions savings statement if your pension savings in the Bromley Fund exceeds the annual allowance limit for that year. The statement is based on the information held on your pension record at the time of the calculation. If you breach the annual allowance the statement will provide the options you have in dealing with the tax charge.

From 6 April 2016 the annual allowance was reduced for those individuals who have income over certain levels, broadly affecting those whose "threshold income" is above £110,000 and "adjusted income" is above £150,000.

Threshold income is broadly defined as total earnings, less what you pay in pension contributions.

Adjusted income is broadly threshold income plus the value that your pension grows by over the year.

If you satisfy both points the annual allowance will be reduced by £1 for every £2 that the adjusted income exceeds £150,000. However, the maximum reduction that can apply to the annual allowance is £30,000 leaving an annual allowance of £10,000.

HMRC provide information to help you:
www.tax.service.gov.uk/paac

If you have pension benefits elsewhere, you will also need to take these into consideration. It is your personal responsibility to pay the correct amount of tax.

This newsletter provides an overview of the rules governing taxation of pension savings. It is your personal responsibility to pay the correct amount of tax. Neither the London Borough of Bromley nor the Pensions Team is able to provide financial advice. If you are unsure about the best course of action, you should contact HMRC on telephone number 0300 200 3300. You may need to take independent financial advice in order to ensure that you understand your tax position.

Additional Pension Contributions

There may be times when you may need to consider adding to your pension in the LGPS. This could be because you joined later in your career or have had a career break and want to buy extra pension or maybe you have lost pension due to an unpaid absence.



Paying Additional Pension Contributions (APC) either regularly over a number of complete years or as a one-off lump sum will allow you to add extra pension or make up for lost pension. The maximum amount of annual pension you can buy using an APC is currently £6,675. This figure will increase each year in line with the cost of living. Buying lost pension is important if you have pre-1st April 2014 membership and wish to protect your benefits in a number of different circumstances.

If you wish to purchase additional or lost pension, please refer to the modeller to calculate the costs.

<https://lgpsmember.org/more/apc/index.php>

If you wish to proceed with your application, please complete and print the appropriate application form at the above link and return it to the Pension Team: the address can be found at the end of this newsletter.

Additional Voluntary Contributions (AVCs)

Another way of increasing your income in your retirement is to pay additional voluntary contributions (AVCs) via the LGPS to the in-house AVC plan which the London Borough of Bromley has set up with Aviva.

If you choose to pay AVCs under the LGPS, the AVCs are invested separately in funds managed by the AVC provider, Aviva. You have your own personal account that, over time, builds up with contributions, and the returns on your investment are free of capital gains tax.

You will be offered a range of AVC investment routes. It is for you to choose which fund, or combination of

funds, you wish to have your contributions invested in.

An election to pay AVCs must be made in writing, by completion of an application form. Payments commence from the next available pay day after the election has been accepted and you may vary or cease payment at any time whilst you are contributing to the LGPS,

AVCs are deducted directly from pay and you can pay up to 100% of your taxable earnings (after other deductions such as National Insurance Contributions, union subscriptions, etc, have been taken into account) into AVCs. Tax relief is automatically given through the payroll. This means that tax is calculated on your pay after your pension and AVC contributions have been deducted.

At retirement the accumulated fund in your account can be used to:

- Purchase an annuity from Aviva with whom the AVCs were invested
- Purchase an annuity from another insurance company, building society or bank
- Purchase a top-up pension from LGPS and any balance of your fund to purchase an annuity.
- Provide a tax-free cash sum

An annuity is an amount of additional pension benefit. When you buy an annuity you choose the type of pension that best suits your circumstances. The level of annuity will, in part, depend on what choices are made.

If you draw an immediate pension benefit from the LGPS you will be able to use the accumulated fund in your AVC account to buy a top up pension and this will provide an inflation proofed pension and dependants' benefit.

At retirement, you can take all or part of the accumulated fund in your in house AVC as a tax-free lump sum if you draw it at the same time as your LGPS pension benefits, provided that, when added to the LGPS lump sum, it does not exceed 25% of the overall value of LGPS benefits (including your AVC fund) or, if less, 25% of the lifetime allowance less an adjustment for the value of any other pension benefits you are already drawing. If you defer drawing your AVC, you can draw up to 25% of the value of AVC fund as tax free lump sum at the time you decide to take benefits from your AVC fund.

You may defer purchasing an annuity until the eve of your 75th birthday at the latest; however, if you work beyond age 65 you will not be able to purchase an annuity until you stop working and retire, or reach the eve of your 75th birthday, whichever occurs first.

If you would like more information on the AVC scheme, please contact the Pensions Team.

Pension Key Performance Standards

Liberata UK Ltd manage the general administration of the Local Government Pension Scheme for the London Borough of Bromley. Performance standards are used to monitor and improve performance. Performance is reported regularly to the Council and is published annually for the information of Scheme members.

Liberata's commitment to Scheme members is:

As administrators of the Bromley Fund, we aim to provide you with good quality service and to communicate effectively. Liberata aim to:

- **Respond to e-mails and written enquiries within 10 working days of receipt**
453 pieces of correspondence responded to in the last year, of which 99.42% were within the performance standard (99.81% in 2014/15)
- **Process each stage of a transfer of pension rights (to or from the Fund) within 10 days of receiving the required information**
91.16% of 95 transfer-in quotations (93.68% in 2014/15) and 94.13% of 86 transfer-out quotations (92.00% in 2014/15) issued within the performance standard
- **Process retirement grants (lump sums) within 10 working days of retirement, provided that Liberata have all the necessary information**
98.50% of 256 retirement grants paid within the performance standard (99.00% in 2014/15)
- **Issue a benefit statement annually to all active and deferred members**
Statements issued to all active and deferred members in July and August
- **Advise pensioners in April of the annual increase to their local government pension**
Pensions increase letters issued to all pensioners in April

Bromley pension newsletter



National Fraud Initiative

The London Borough of Bromley is required by law to protect the public funds it administers. It may share information provided to it with other bodies responsible for auditing or administering public funds, in order to prevent and detect fraud.

Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. For further information on the Cabinet Office's legal powers and the reasons that it matches particular information, see <https://www.gov.uk/government/collections/national-fraud-initiative>.

Other Data Sharing

London Borough of Bromley participates in a data sharing project with other LGPS pension funds in England, Wales and Scotland. This is undertaken in

order to comply with legal requirements contained in the LGPS's governing regulations.

Provisions contained in the LGPS Regulations 2013 mean that, if a member of the LGPS dies, it is necessary for the scheme's administrators to know if the individual also had other periods of LGPS membership elsewhere in the country so that the right death benefits can be calculated and paid to the deceased member's dependants.

As the LGPS is locally administered, each pension fund has its own membership records and it can be difficult to tell if an individual has other LGPS records and where these are held. To comply with the requirements set out above, a national Database, hosted at the South Yorkshire Pensions Authority, has been developed that enables funds to check if their members have LGPS pensions records in other pension funds.

What data is shared?

For each member of the LGPS, the Database contains a short entry containing:

- The individual's National Insurance Number,
- A number to denote the individual's membership status,
- The last calendar year that the membership status changed, and
- A four digit number confirming the LGPS pension fund where that member's record is held.

How is the data held on the Database processed?

The data held on the Database is processed in accordance with the Data Protection Act 1998 and other relevant legislation.

Are there any other purposes that the Database is used for?

An extract of the membership information contained in the Database is periodically shared with the Department for Work and Pensions (DWP) so that the LGPS can join the Tell Us Once service. Tell Us Once is a service offered in most parts of the country when an individual registers a death.

Who is the data shared with?

Other LGPS pension funds. These are all public bodies named in legislation as administering authorities of the LGPS.

For the Tell Us Once service, an extract of the Database containing individuals' NI Numbers is securely shared with DWP every month so that they may maintain an up-to-date record of the LGPS's membership.

How long will this data sharing be undertaken for?

For as long as a) the relevant regulatory requirements remain, and b) the LGPS participates in the Tell Us Once service.

In the event that neither of the above apply, the data sharing will cease to be undertaken.

Can I opt out of this data sharing?

No. As this data sharing is partly being undertaken to comply with a legal requirement, it is not possible for scheme members to opt out of the data sharing.

The Bromley Pension Fund

Bromley's Pension Fund is administered by the London Borough of Bromley's Pensions Investment Sub-Committee, whose primary role is to oversee the investment of the Fund and monitor its financial position.

Following an investment strategy review in 2012, new Fund managers were appointed in both 2012/13 and in 2013/14 and the Fund now employs five investment managers: Baillie Gifford, Blackrock, Fidelity, MFS and Standard Life. They are responsible for managing investment portfolios comprising Diversified Growth Funds (c.10% of total Fund), Global Equities (c.70%) and fixed income (c.20%).

The net assets of Bromley's Pension Fund totalled £748m as at 31st March 2016 and comprised:

UK Equities (quoted)	£27m
Overseas Equities (quoted)	£372m
Pooled Investments	£338m
Cash/other	£11m

Income and Expenditure for the year ended 31st March 2016

Income	Expenditure
Employer contributions £26.7m	Pensions £25.3m
Employee contributions £6.3m	Lump sum benefits £5.4m
Transfer Values received £1.8m	Transfer Values paid £0.9m
Investment income £7.3m	Administration £0.9m
Net loss on investments Cr £4.3m	Fund management expenses £2.6m

Pension Regulations require an actuarial valuation of the Fund's assets and liabilities every three years to ensure that the Fund is able to meet all its present and future commitments.

The most recent full valuation as at 31st March 2016 found that the value of the Fund's assets represented 91% of the value of its liabilities, up from 82% in 2013. That valuation set employer contribution rates for the following three years aimed at increasing the fund's solvency level to 100% over a maximum period of 12 years. The next full valuation (as at 31 March 2019) will take place during 2019/20 and will set employer contribution rates for the three years commencing on 1st April 2020.



Bromley pension newsletter



PENSIONS ON-LINE

You can now access your own pension records online, through Altair Member Self Service (MSS). This service allows you to view your record, and carry out your own pension benefits calculations, such as:

- deferred benefits
- pension predictions
- lump sum commutation options
- redundancy estimates

You also have the option of updating your Expression of Wish record (by downloading and submitting a signed Form) and personal details such as change of address or name. This service is available 24 hours a day, 365 days a year.

You will need to obtain an activation key to access the Altair Member Self Service function, which you can request by accessing <https://bromleypensionsonline.bromley.gov.uk> and then the activation key and details of how to use MSS will be sent direct to you.

DEATH GRANT EXPRESSION OF WISH FORMS

From the moment you join the Scheme until you leave or retire, and sometimes even beyond, you have valuable life cover in the form of a lump sum death grant. As an 'active' contributing member, if you die whilst paying into the Fund, we will pay out a death grant equal to three times your final years' pay.

Although the amount of death grant is governed by the Scheme rules, the Council has absolute discretion in deciding on who to pay any death grant to. The Council may pay the money in one sum or split it among a number of beneficiaries. The LGPS allows you to nominate one or more beneficiaries to whom you would like any death grant to be paid. You can do this by completing and returning an Expression of Wish Form which is sent out with the Annual Benefit Statements each year or can be downloaded from www.bromley.gov.uk/lgps. The Council will normally follow your wishes, but may not do so if your circumstances have changed since you completed the form, for instance if your marital status has changed, or the person you have nominated has died. It is therefore extremely important that you keep your nomination up to date.

**NOTHING IN THIS NEWSLETTER CAN
OVERRIDE THE PROVISIONS OF THE
LOCAL GOVERNMENT PENSION SCHEME
REGULATIONS OR RELATED LEGISLATION**

Enquiries and Complaints

If you are not sure which benefits you are entitled to, or if you have a question concerning your benefits, please contact the Liberata Pensions Team. They will try to deal with your query as quickly and efficiently as possible, and it may be possible to arrange a meeting in order to resolve any issues.

In case you are dissatisfied with the way the Council or your employer has interpreted or applied the pension Regulations, then in order to protect your interests the Council is required under the Scheme Regulations to set up a two-stage appeal procedure. Full details of this can be obtained from the Liberata Pensions Team.

Their full address and telephone details are shown below. In addition to the internal dispute processes you also have access to a number of external advisors or regulators who are there to assist you with any issues you may have relating to your pension.

Further details of these organisations are given below.

Liberata UK Ltd

P O Box 1598, Croydon, Surrey CR0 0ZW

Telephone 020 8603 3429

E-mail pensions@bromley.gov.uk

Website www.liberata.com

Large Print Version Available

The text of this newsletter is available in a large print format from Liberata Pensions on 020 8603 3429.

Useful Contacts

London Borough of Bromley
Chief Executive's Department
Civic Centre
Stockwell Close
Bromley
BR1 3UH

Telephone: 020 8464 3333

Website: www.bromley.gov.uk

Pension Tracing Service

This is a tracing service for ex-members of schemes with pension entitlements, who have lost touch with their previous employers.

The Pension Service

Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA

Telephone 0345 600 2537

The Pensions Advisory Service (TPAS)

This service is available to assist members with any difficulties that they cannot resolve with their pension schemes

11 Belgrave Road
London
SW1V 1RB

Telephone 0300 123 1047

Website www.pensionsadvisoryservice.org.uk

For the Pensions Ombudsman

The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme, or matters of fact or law.

Telephone 020 7630 2200 at the TPAS address above

Website www.pensions-ombudsman.org.uk

Further information about the Scheme is available on www.lgps.org.uk



Liberata