

March 2016

Dear Active Member

## **Local Government Pension Scheme (LGPS)**

Please take time to read the information below as there are some important changes to the amount of National Insurance contributions you pay. There is also information in this newsletter about the amount of savings you can take at retirement from your pension schemes and details of pre retirement workshops.

### ***1. The new State Pension and the ending of 'contracting out'***

The Government is introducing a new 'single-tier' State Pension for people who reach State Pension age on or after 6 April 2016. This will replace the existing basic and additional State Pension.

#### **What does this mean for members of the Local Government Pension Scheme?**

As a member of the LGPS you are currently 'contracted-out' of the additional State Pension. You receive a rebate on the National Insurance contributions you pay on any earnings between £5,824 and £40,040 per year (unless you are already over State Pension age or are one of the few members still paying the married woman's or widow's reduced rate of National Insurance). This means that whilst you are a member of the LGPS you are not building up much, if any, additional State Pension; you are building up pension benefits in the LGPS instead.

From 6 April 2016 the new single tier State Pension replaces the basic and additional State Pension for those who reach State Pension age after 5 April 2016 and the 'contracted-out' status for all LGPS members (not just those reaching State Pension age after 5 April 2016) will no longer exist. This means that you will no longer receive the National Insurance rebate and you will pay a higher amount of National Insurance than in previous years (unless you are already over State Pension age or are one of the few members still paying the married woman's or widow's reduced rate of National Insurance).

There are no plans to change the benefits the LGPS provides as a result of the introduction of the new State Pension.

#### **Where can I get more information?**

More information about these changes can be found in the 'latest news' section of the East Riding Pension Fund (ERPF) website, [www.erpf.org.uk](http://www.erpf.org.uk) including information about the 50/50 section of the LGPS which allows you to pay half your normal pension contributions in return for building up half your normal pension, whilst retaining full life and ill health cover.

The 50/50 section might be of interest to you if the rise in National Insurance contributions is likely to cause you financial difficulty and lead you to consider opting out of the LGPS. It offers a means to remain in the LGPS, at a cheaper rate, whilst retaining valuable benefits. Further information about the LGPS is available at [www.lgps2014.org](http://www.lgps2014.org)

## **What does this mean for my State Pension?**

For information about the new State Pension please visit [www.gov.uk/yourstatepension](http://www.gov.uk/yourstatepension)

### ***2. Lifetime allowance tax charge***

If your pension savings are worth more than £1 million you may need to protect your pension savings from the lifetime allowance tax charge.

#### **What is the lifetime allowance?**

The lifetime allowance is the amount of savings you can take from your pension schemes at retirement without facing a tax charge. The lifetime allowance is currently £1.25 million but is reducing to £1 million from 6 April 2016. From 6 April 2016 if you take more than £1 million from your combined pension savings, you may face a tax charge.

For details of the lifetime allowance tax charge and how you can protect your pension savings please visit the 'Latest News' section of the ERPF website, [www.erpf.org.uk](http://www.erpf.org.uk)

### ***3. Pre Retirement Workshops***

Forward planning is advisable when making any major changes and retirement is no exception. The East Riding Pension Fund (ERPF) has been working with Affinity Connect, one of the largest providers of retirement and redundancy services to the public sector in the UK. This arrangement aims to help LGPS members prepare for the lifestyle and financial changes that take place at retirement. The workshops cover a wide range of topics which raise awareness of issues that need to be considered, as well as the decisions that need to be made, as LGPS members approach retirement.

#### **How do I book a place?**

Details of the workshop content and the dates available can be viewed on the 'Latest News' section of the ERPF website, [www.erpf.org.uk](http://www.erpf.org.uk) along with details of how to book a place. The workshops are held in a number of locations and are free of charge, but any time taken to attend must be agreed with your own line manager in accordance with annual leave guidelines and/or flexible working arrangements.

Sent by East Riding Pension Fund