

Gwynedd Pension Fund

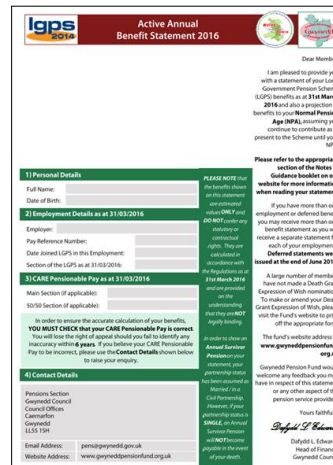
August 2016

## Welcome....

to Gwynedd Pension Fund's latest Newsletter. The aim of this newsletter is to give you the latest news on the changes to the Local Government Pension Scheme (LGPS) and to remind you of benefits available in the fund. This issue will focus on:

- Annual Benefit Statements
- Pension On Line
- Pooling of Investments
- Lifetime Allowance
- Absent from work
- Death Grant Expression of Wish

## Annual Benefit Statements 2015/16



Enclosed with this newsletter is your Annual Benefit Statement for the 2015/16 tax year.

The statement shows the total value of your LGPS benefits at 31/03/2016 and a projection of your LGPS benefits if you remain contributing as at present until your Normal Pension Age (NPA).

We would welcome any feedback you may have in respect of this statement. Contact details can be found below.

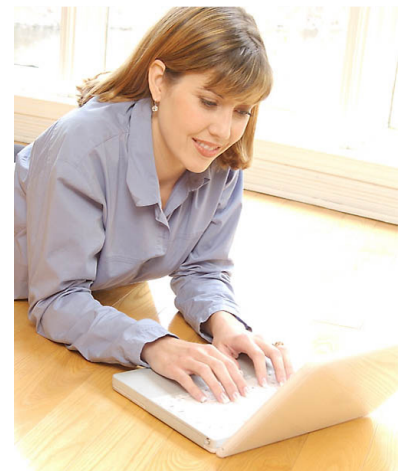
## Pension On Line

Gwynedd Pension Fund's online Member Self Service is a valuable tool for members. Once registered you will be able to:

- View and update your personal details and changes of address
- Find out how much you will receive on retirement
- Calculate the amount of additional lump sum you can take on retirement
- View your service history, including any service which has been transferred
- View your nominated beneficiaries

To register please visit the following website: <https://members.gwynedd-pensionfund.org.uk/>

An activation key will be sent to you in the post within 10 working days.



## Where are the Notes of Guidance?

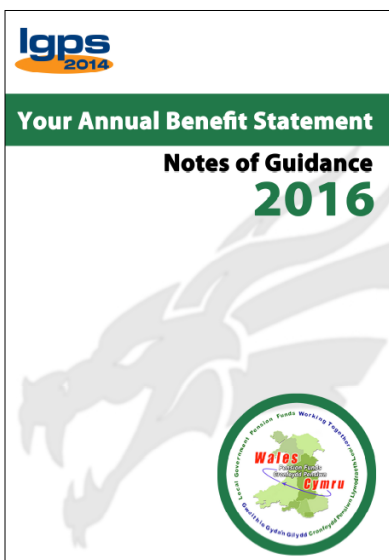
This year the Notes of Guidance to accompany your statement can be seen online on our website: **[www.gwynedd-pensionfund.org.uk](http://www.gwynedd-pensionfund.org.uk)**

As our system develops we hope in the future that all benefit statements and newsletters will be published electronically on the secure Member Self Service website.

## Contact Details

If you need to contact us please use one of the following methods:

 Pensions Section, Gwynedd Council, Caernarfon, Gwynedd, LL55 1SH  
 01286 679982  01286 679589  
 [pens@gwynedd.llyw.cymru](mailto:pens@gwynedd.llyw.cymru)  [www.gwynedd-pensionfund.org.uk](http://www.gwynedd-pensionfund.org.uk)





## Investment Reform - Pooling of Investment

At the Summer Budget 2015 it was announced that the Government will work with Local Government Pension Scheme (LGPS) administering authorities to reform how LGPS investments are managed.

The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme for people working in local government or working for other types of employer participating in the scheme. In England and Wales the LGPS is currently organised as 91 funds, each with an administering authority responsible for the management of its assets and liabilities and the administration and payment of pensions to its local members.

The Government want the 91 LGPS pension funds to pool their assets into around six investment pools in an effort to drive down investment costs and enable funds to develop the capacity and capability to become world leaders in infrastructure investment and help drive growth in the UK economy.

The expectation is that the new investment pools will begin to be used for collective investment from April 2018 onwards.

The following questions and answers aim to help you understand the changes:

### Q1: Why is this happening?

A1: Across the LGPS in England and Wales the scheme holds £217bn of assets (2014/15 figure). These assets are currently held in 91 local pension funds and are used to pay the pensions of former members of the scheme and their dependants. The LGPS is one of the largest funded pension schemes in Europe.

The Government commissioned research which indicates that significant savings can be delivered by the creation of around six investment pools, each with assets of at least £25bn. Each LGPS administering authority will be obliged to join, or help create, an investment pool with other LGPS administering authorities. Savings will be achieved through economies of scale and increased bargaining power; investment costs will be reduced along with other costs for all types of investment used in the pool.

The Government would also like the LGPS to have the capacity and capability to be able to invest in infrastructure e.g. railway, road or other transport facilities or housing supply. Currently only a very small proportion of LGPS assets are invested in infrastructure, it is hoped that the creation of investment pools will make it easier for LGPS funds to invest in infrastructure due to their increased scale.

### Q2: Will the changes affect the amount of pension I receive?

A2: No, the LGPS is a defined benefit scheme which means that your pension benefits are based on your salary and how long you have been a member of the LGPS. The pension benefits you receive are not linked to investment returns.

### Q3: Will the amount of pension contributions I pay change?

A3: No, as a member of the LGPS the rate of contributions you pay is based on how much you are paid.

### Q4: Does this change who administers my pension benefits?

A4: No, the Government is only requiring LGPS administering authorities to pool the investment of their assets. There is no requirement for any change to the administration of the LGPS i.e. who calculates and pays your pension. Your LGPS administering authority is determined by where you work or, if you have an LGPS pension or deferred LGPS pension, where you used to work.

### Q5: Who is responsible for deciding how a fund invests its assets and will this change?

A5: Each LGPS administering authority decides how the assets for that fund are to be invested in line with its agreed investment strategy. This will not change when assets are invested via the new investment pools from April 2018.

### Q6: What's the position in Wales?

A6: Gwynedd Pension Fund has been working on collaboration with the seven other local government pension funds in Wales for several years on a number of issues and it is hoped that one investment fund for Wales can be created. A detailed proposal and a number of meetings have been held with Central Government to look into the possibility of a Welsh fund - however the total assets of the Welsh funds are approximately £12bn, which falls short of the required £25bn, but discussions are ongoing.



# Tax limits and your pension - Lifetime Allowance

## What is the lifetime allowance?

The lifetime allowance is the total value of all pension benefits you can have without triggering an excess benefits tax charge. If the value of your pension benefits when you draw them (not including any state retirement pension, pension credit or any partner's or dependant's pension you may be entitled to) is more than the lifetime allowance, or more than any protections you may have, you will have to pay tax on the excess benefits. The lifetime allowance covers any pension benefits you may have in all tax-registered pension arrangements - not just the Local Government Pension Scheme (LGPS).

The Lifetime Allowance for the 2016/17 tax year is £1 million.

## How is the lifetime allowance calculated?

For pensions that start to be drawn on or after 6 April 2006, the capital value of those pension benefits is calculated by multiplying your annual pension by 20 and adding any lump sum you draw from the pension scheme.

For pensions already in payment before 6 April 2006, the capital value of these is calculated by multiplying the current annual rate, including any pensions increase, by 25. Any lump sum already paid is ignored in the valuation.

When any LGPS benefit, or any other pension arrangement you may have, is put into payment you use up some of your lifetime allowance - so even if your pensions are small and individually will not be more than the lifetime allowance you should keep a record of any pensions you receive. If you have a pension in payment before 6 April 2006, this will be treated as having used up part of your lifetime allowance.

If your LGPS benefits are more than your lifetime allowance you will have to pay tax on the excess. If your excess benefits are paid as a pension the charge will be 25%, with income tax deducted on the ongoing pension payments; if the excess benefits are taken as a lump sum they will be taxed once only at 55%. You can choose to pay the tax charge immediately by a reduction to your lump sum or you can ask the scheme to pay the charge for you in return for a permanent reduction to your pension - this is called a lifetime allowance debit.

## Lifetime Allowance Protection

Two new protections have been introduced from 6 April 2016 and are known as Fixed Protection 2016 and Individual Protection 2016. These protections are the same in design as Fixed and Individual Protections 2014 which were introduced when the lifetime allowance reduced from £1.5 million to £1.25 million in 2014.

### Individual Protection 2016 (IP2016)

You can apply for Individual protection 2016 from 6 April 2016 if you have pension savings valued at over £1 million (including taking into account past benefits already in payment) on 5 April 2016. However, if you have primary protection or individual protection 2014 you can't apply for IP2016. IP2016 gives a protected lifetime allowance equal to the value of your pension rights on 5 April 2016 - up to an overall maximum of £1.25 million. You will not lose IP2016 by making further savings in to your pension scheme but any pension savings in excess of your protected lifetime allowance will be subject to a lifetime allowance charge.

### Fixed Protection 2016 (FP2016)

You can apply for Fixed Protection 2016 from 6 April 2016 if you expect your pension savings to be more than £1 million (including taking into account past benefits already in payment) when you come to take them on or after 6 April 2016. FP2016 can be used to help reduce or mitigate the lifetime allowance charge.

You can't have FP2016 if you already have primary, enhanced, fixed protection 2012 or fixed protection 2014. With FP2016 your lifetime allowance is fixed at £1.25 million rather than the standard lifetime allowance. The maximum tax free lump sum you can take on retirement is the lesser of:

- 25% of the capital value of your LGPS benefits, or
- 25% of the lifetime allowance which, for those with fixed protection, is £312,500 (i.e. 25% of your lifetime allowance of £1.25million) less the value of any other pension rights you have in payment.

FP2016 is lost if your benefits increase by more than the cost of living increase. As the cost of living increase for the year 2016/17 is zero, any pension build up, however small, will lead to your pension increasing by more than zero. Therefore, members wishing to keep FP2016 must have opted-out of the LGPS with effect from 6 April 2016.

FP2016 will also be lost if you start a new pension arrangement, other than to accept a transfer of existing pension rights, or if you pay contributions into a money purchase pension arrangement, other than to a life assurance policy providing death benefits that started before 6 April 2006. You will also be subject to restrictions on where and how you can transfer benefits.

**The Lifetime Allowance will not affect most members, however if you believe that you could be affected then please feel free to contact us. Contact details can be found on the front page of this newsletter.**







## Absent from work

### What happens if I am on sick leave?

If you are off work due to sickness or injury and your contractual pay is reduced, or you don't receive any pay, then a notional pay figure is used to work out your pension to make sure your pension is not affected. This notional pay is called your assumed pensionable pay. You will continue to pay your basic LGPS contributions on any pay that you receive while you are off sick. If you are on unpaid sick leave, you will not pay any contributions.

If you are in the 50/50 section and go onto unpaid sick leave, you will automatically be moved to the main section of the scheme from the beginning of the next pay period if you are still on no pay at that time. This means from that point forward you will build up full pension benefits in the LGPS even though you are not paying pension contributions.

### What happens if I am on maternity, adoption or paternity leave or shared parental leave?

During any period of relevant child related leave your pension is worked out using your assumed pensionable pay (where this is higher than the amount of pensionable pay you actually receive). Your assumed pensionable pay is a notional figure that is used to make sure your pension is not affected by the reduction in pay. This means that you will continue to build up a pension in the section of the LGPS you are in, as if you were working normally and receiving pay.

If you are in the 50/50 section and go onto no pay during ordinary maternity & adoption leave (usually the first 26 weeks) or paternity leave you will automatically be moved to the main section of the scheme from the beginning of the next pay period. This means from that point forward you will build up full pension benefits in the LGPS even though you are not paying pension contributions. However, any period of unpaid additional maternity or adoption leave (normally from weeks 39-52) or unpaid shared parental leave will not count for pension purposes unless you elect to pay Additional Pension Contributions (APCs) to purchase the amount of pension lost during that period of unpaid absence. If you make an election pay APCs to purchase the amount of pension lost within **30 days of returning to work** (or a longer period if your employer allows it), the cost will be split between you and employer.

Please visit the APC calculator website if you wish to pay APCs: <https://www.lgpsmember.org/more/apc>

### What happens if I am granted a period of authorised unpaid leave?

If your employer allows you to take a period of unpaid leave, including jury service, the period will not count for pension purposes unless you elect to pay Additional Pension Contributions (APCs) to purchase the amount of pension lost during that period of absence. If you make an election pay APCs to purchase the amount of pension lost within **30 days of returning to work** (or a longer period of your employer allows it), the cost will be split between you and employer.

Please visit the APC calculator website if you wish to pay APCs: <https://www.lgpsmember.org/more/apc>

## Death Grant Lump Sum

From the very first day you join the pension scheme, a death grant lump sum of **3 times your annual payable pay** is payable if you die whilst in service, and under age 75. Each member of the scheme should complete a death grant expression of wish form. This allows you to propose 1 or more individuals or institutions to receive the relevant death grant payment. You can download a death grant expression of wish form from the Gwynedd Pension Fund website or contact us if you would prefer a hard copy. Gwynedd Pension Fund will have the final discretion as to whom the lump sum will be paid, but we will always take your wishes into consideration.

## Happy Retirement

December 2015 saw the retirement of Gareth Jones the Pensions Manager after 42 years service with the Council. We would like to thank Gareth for all his hard work and friendship over the years and wish him a long and happy retirement. Nicholas Hopkins is the new Manager since 1st January 2016.

