

# Reporting Pensions

OXFORDSHIRE PENSION FUND WINTER 2018/19 ISSUE

## In this issue ...

### We think you should look in here if

- you want to find out about recent rule changes
- you wonder what to do with an annual statement
- you are waiting for a reply to a recent request
- want to fathom out what language this leaflet is in
- you are asking yourself, 'Is this the scheme for me?' while you
  - have a short-term contract
  - on low earnings
  - are female
  - late joining the scheme
- you have had offers of pension review

## **LGPS changes - already made**

We have recently received amending regulations which will now allow anyone aged at least 55 with a deferred pension to write in and ask for an early payment. The former employer does not have to give approval. Remember - if you take your LGPS pension before your state pension age, the pension we pay is at a lower rate.

The right to ask your employer to approve an early, unreduced payment either on compassionate grounds, from age 55 or at any age due to your ill health also remains in the regulations.

These amending regulations, formally titled Statutory Instrument 2018 - 1366, The Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018, also change the calculation for some survivors' pensions. We must now identify partners of scheme members who either –

- did not qualify for a pension before *or*
- have not received the correct amount.

If your partner was a member of the LGPS, leaving you, as either a civil partner or the surviving spouse of a same sex marriage and your partner died after 31 March 2014, please get in touch. We may need to review our decision about your entitlement.

## **Advance notice of proposed changes to come**

We are waiting for a consultation from the Ministry for Housing, Community and Local Government (MHCLG) about more changes to the regulations to apply from April 2019. The possible areas for review include –

1. Changes to the salary bands which determine the scheme members' contribution rates. Contribution rates reduced for the lower paid, to compensate for being under the taxable pay threshold.
2. Provide for a minimum death grant value.

3. Changes to the reductions taken from pensions paid early. If a pension is paid before the state pension age, it would usually be at a reduced rate.
4. We expect that the tier three ill health pension will not be in the scheme in the future.

Any of these suggestions will involve considerable supporting regulation changes, which are not yet in place. This note is to give you an early notice about prospective changes. We will let you know more when the details are to hand and we will post 'news' to our website.

## **What prompts these scheme changes?**

The original arrangement for the 'new' LGPS from 2014 was to settle on an acceptable cost for providing the benefit package. When that cost, arrived at by collecting information from all the LGPS funds across the country varies, from the agreed level, adjustments have to be made to bring the balance back.

This time the adjustment is because the overall future costs are not as high as planned so the benefit package may need to be improved to bring it back into balance.

Before our scheme members begin the celebrations, we need to point out the Treasury Office must agree to the proposals before the formal consultation can start.

When we have more detail we will post news to your employers and use our website and also the *My Oxfordshire Pension* site to keep you informed.

## Consultation on strengthening pension protection

MHCLG have issued a consultation on amending regulations to protect LGPS pensions when a fund employer outsources a service and employees transfer out. Comments from employers, scheme members and the pension fund are welcome before the closing date 4 April 2019.

Follow this link from our website for more details and how to take part [www.oxfordshire.gov.uk/business/pensions/about-oxfordshire-fund](http://www.oxfordshire.gov.uk/business/pensions/about-oxfordshire-fund)

## Temporary delay on work

### Budget – October 2018

We are holding up some of our work because of changes in the background following the budget.

This is because of changes made by Her Majesty's Treasury (HMT) to valuing the future costs of unfunded public-sector pension schemes (i.e. not the LGPS). This creates a 'knock on' effect for our scheme, because all public sector schemes share a common set of rules.

### After a piece of '*pension speak*' who is affected?

For us – Pension Services, many of the factors we use to work out pensions are going to change and we must wait for them.

For you, the scheme member, while we wait for the actuary to produce the new factors, the work we have on hold includes

- all requests for transfers both in and out,
- quotes requesting estimates for divorce purposes

We will work on estimates for early retirement using current factors, but our paperwork will tell you that the results may change if your eventual leaving date will be after we get the new factors.

If your request depends on an employer's policy, and using their discretion is linked to additional employer costs, we will also tell employers that the costs could change too.

The Secretary of State issued the instructions to hold this work if the request is dated on or after 29 October 2018. We will continue to work on requests dated before 29th of October and expect to have all the necessary details by the end of January 2019.

### **Please note**

Don't let this note hold up your request for any details or figures, because once we have the revised factors we will complete work in the order we log it in.

Remember, other timetables are in place. For example, you must request a transfer within a year of joining the LGPS - if you are close to that deadline we will look at the date we first received your enquiry, not when we were able to start the work.

Our usual turn-around time is ten working days from receiving all the information we need to reply.

### **Jargon**

What makes 'pensions' something most people want to put to one side and ignore? My guess is the language – '*pension speak*' often does that to people. Even when we use everyday terms, the thought of the 'pensions spectre' hovers over and the block comes down because you just know you will find obscure terms.

Well we are listening – tell us what we can do to help push the block away. Contact Pension Services with your suggestions.

## Question: Why do you have an annual benefit statement?

Is it?

- A for you to check that the pension fund holds the correct information about you, *or*
- B a stocktaking document for your personal financial planning, *or*
- C a fund's statutory requirement?

**Answer: All the above!**

### A. Checking your details

Keep your home address up to date. Do it on-line; log onto *My Oxfordshire Pension*. Otherwise write to Pension Services with new details, even if you have told your employer. It is easy to forget about this, especially if you have registered to use the on-line system. A correct address is a key element to hold on a pension record.

Other personal changes, such as a divorce cannot be changed on line. We must have a written and signed note to tell us, and where appropriate, a copy of the certificate. This information can affect the way the fund values your pension and works out how much your employer must pay towards your future benefit.

Next check the financial details.

You are best placed to know your own pay. If you have been in the LGPS for a while – before 1 April 2014 you will have two types of 'pay' to check on a statement.

In **Section 4**, if your answer to 'what was your 'pensionable pay' in the year ending 31 March 2018?' is not what is shown contact your employer. Your 'pensionable pay' will be your **actual** earnings in that period, but if you have had reduced pay during the year, it should be the earnings you would have expected if you hadn't been away due to sickness for example.

Your pension now builds up each year directly reflecting your pay. If there are mistakes and they are not recorded and acted on quickly it may not be possible to change them in the future.

If you have been in the scheme a while, this figure in section 5 is to estimate your 'final salary' pension ... and roughly needs to answer the question 'What was the *full time pay* you could have expected for the whole year?' - Yes, it is the full-time rate here even if you work part time, and it shouldn't have been reduced even if you have had to take some days out.

**Section 5:** Value of final salary pension benefits at [dd/mm/yyyy]  
(payable from [date] 0 based on membership and final salary pay  
(Extract from benefit statement for example)

**Final Salary Pay 1/4/2017 to 31/3/2018 £.... ..**  
(Extract from benefit statement for example)

Don't forget to check that the statement or statements reflect your choices such as keeping pension records separate or bringing in transfers from other schemes.

## **B. Financial planning / stock taking**

What are your retirement expectations? Have you considered what kind of income you might want for your later life and are you on track? It is never too early to have that on your 'to do' list, even if the time is not right for you to act. Your annual statement is a key document for your regular review.

Use your statement to check your long term financial plans ... There are figures, in section 6 of the statement, giving you an **indication** of your pension at your state retirement age.

We prepare notes to explain the projections, shown on the annual statement based on current regulations, assuming you remain in this employment until your retirement. The notes on our website <https://www.oxfordshire.gov.uk/business/pensions/members-pensions-scheme/current-members/benefit-statement>

This page also fields some frequent questions we receive about the annual statement.

If your questions about your pension are whether the projected figure will provide sufficient for your plans, this page

<https://www.oxfordshire.gov.uk/business/pensions/members-pensions-scheme/current-members/increasing-your-benefits> may be useful while you consider your next step.

### **C. Statutory requirement**

The fund is obliged to send out a statement, and for 2018 we have issued 98.7% of all possible statements.

Where we have not been able to issue a statement, we have informed the members affected and are in close discussion with employers, so we can resolve any outstanding questions.

Unless you have registered to keep paper communication with us, your annual benefit statement will be waiting for you on your secure on-line record.

#### **Have you lost your personal activation code for our online service?**

We sent the codes out during 2018, but they had a time limit, so now you will have to

Go to <https://oxfordshire.pensiondetails.co.uk>

Click on 'I would like to sign up'

Fill in the details requested on that screen

and click on the '**Sign up**' button

We will send you a new activation code by email (We have a real person doing this, so you will not receive an email over a week end)

The information we show on a statement is prescribed. But we can vary how we explain the details or apply the information. We are open to your views about how to explain the statement to help make it relevant for you. Contact Pension Services with your feedback and suggestions.

## **Only in the scheme a short while?**

Not every scheme member expects to be in the scheme for the long term. Sometimes by design and sometimes other events take over the plans. However, an expected short term membership is not a reason to opt out of pension provision altogether, even if 'retirement' seems a long way off.

While paying into a pension scheme is future planning, all members have automatic life assurance cover for your family from the very first day and that applies even if you choose to join the scheme's 50/50 section [Find out more on 50/50 from [www.lgpsmember.org](http://www.lgpsmember.org)]

Short periods of scheme membership can build into a long term pension provision, while generally you need to be a member for at least two years to secure a pension for later life there are variations to these rules. But don't lose track of your membership – keep in touch.

## **To refund or not to refund?**

Normally if you leave the LGPS with under two years, and do not re-join any LGPS fund within a month and two days, you can choose to take a refund of the contributions you have paid. However, the refund does not become compulsory until you have been out of the scheme for five years; if you believe you will be back you can ask us to hold onto the refund. But and I repeat - don't lose track of your membership – keep in touch.

## Women and Pensions

### Equalisation?

6 November 2018. A significant date.  
Did you miss it?

It marked equalisation of pension ages for men and women.



This refers to the state pension age, and on that early November day state pension age became 65 for both men and women.

Our scheme has had an 'equalised' scheme retirement age of 65 for most of its history, changing in 2014 to mirror the state scheme for an individual's retirement age.

The age for receiving a pension may be equalised but a pension, either from the state or from an occupational scheme such as the LGPS is a summary of a member's past employment history. And it may be many years before that summary will reflect the equality of opportunity for all.

Looking back LGPS membership was not always available to the part time employees. It was not until 1995 that a blanket 'all permanent' employees could join without having to pass a minimum number of hours a week test.

Before then, the scheme was gradually cutting out the restrictions to joining, and allowing part time members the choice to join. With many women making up the part time work force then, the opportunities for them to build financial security for later life were limited and it was not an equal playing field.

Twenty or so years ago, society's broad expectations that women are supported and provided for by 'bread-winner' husband have changed, but those retiring now carry that history as reduced income, which when compounded by divorce and widowhood, means more women

living on a lower income. Because women still outlive men then that could well be a longer period on a lower income.

2018: if the section above reflects the past, do the pensions building up now promise improvement. How much has the situation changed?

While opportunities for women's career progression may have improved, reducing pay or stopping work to fulfil caring responsibilities still falls predominately to women. Although now there is no minimum restriction to earnings or hours of work to be eligible to join this pension scheme, being low paid does make the cost disproportionately higher for anyone below tax threshold.

Pension contributions reduce taxable pay – the reason why pension schemes are known as being 'tax efficient' but that efficiency disappears when you do not pay tax (2019 may be seeing the LGPS take positive steps to chip away at this discrepancy. See the first item in this booklet, and the proposal to reduce the contribution rate for members in the LGPS earning below the tax threshold).

Is low pay a reason to not join the scheme? It is one of the questions to consider when membership is under scrutiny, but needs to be balanced against overall benefits. Another consideration, and one we have heard so often at pre- retirement or at member talks, is 'that short term job, situation, few hours, was only meant to be for a short while ... now (insert number) - years later here I am and I wish I'd joined / done that earlier.'

No one has a crystal ball

At least as an LGPS member you would be building up a pension when having low income may also have restricted your ability to accrue a state scheme pension.

## What can you do to improve your income in later life?

When considering the state scheme

- find out what your expected pension will be, if you can pay extra to bolster a lower than expected pension because of periods when you could not qualify, should you?
- Even if a mother is not due child benefit due to a partner's earnings, mothers must still claim it to get the national insurance credit due.

And looking at the LGPS

- If you take an agreed period of no pay, which could be linked to your caring responsibilities, ensure you receive details about options to make contributions to restore 'lost LGPS pension'. Your employer must give you details and the timetable which applies.
- Some employers will extend the time limits for you to gather information to make an informed choice, but not all will have that policy. If your election to restore lost pension, after an approved leave of absence is made within 30 days of returning to work your employer must pay 2/3rds of the cost.
- <https://www.lgpsmember.org/more/apc/index.php> website with cost details
- If you leave your job and then the return to the LGPS within 5 years, your pension records will usually be joined together. You can choose to keep them separate, and this may require a little crystal ball gazing, but if your whole time equivalent pay is going to be less than when you were in the scheme before, and you have membership before 2014, then do ask for more details. Make sure you have full list of 'pros and cons' to make a considered choice, that may include seeing a financial adviser. (Sorry, we can't give advice, but we will provide information.)

- Consider ways to improve your expected pension income
  - Paying additional contributions to buy pension from the LGPS \*
  - Paying additional contributions to buy a top up pension or increase your retirement lump sum, using the Prudential \*
- Ask for details, call up for a group talk on your LGPS pension scheme, look at the websites which have more information and details\*

\*contacts and links on back page

This section may have women and their pensions as a focus, but the scheme rules, and options, apply equally to all. The factors we use in our calculations reflect the differences in life expectancy between men and women in our scheme, although the LGPS will see changes to this approach in the future.

## Employers in the Oxfordshire Fund

Several times above we mention – talk to your employer. This is essential because it is the employer who makes so many of the LGPS decisions on which your pension will rest

- who comes in the scheme
- what is your 'pensionable pay'
- where is their discretion policy?
- can you retire on ill health?

decisions that affect you and your financial future. It is important that you know who your employer is and how decision making happens.

This may seem obvious but for some people, jobs remain the same while the employer changes as the service the scheme member works on is transferred.

There are rules and regulations to deal with your pension and these are different to the rules protecting your conditions of employment. While we would expect to know about these moves and changes well in advance, occasions do slip through without consultation about your pension. If you have concerns about who to contact at your employment, and you have unanswered questions, get in touch with Pension Services.

We may be able to help locate where you should be addressing your question.

Although the MHCLG are consulting on proposals to strengthen pension protection, you should not hesitate to get in touch with Pension Services if your job has been outsourced and you are concerned about the pension arrangements.

**'We're ending exit charges for Local Government AVCs from December 2018'**

Our current 1% exit charges for members accessing their AVCs within three years of the first contribution being received will end from 3 December 2018.

We stopped them for new joiners back in March 2017 and they'll now be discontinued in all instances.

We're updating our product material to include this good news.

and Oxfordshire Pension Fund will be checking and changing any references on our literature too.

There is now an explanatory leaflet about increasing pension savings on our website page

[www.oxfordshire.gov.uk/business/pensions/members-pensions-scheme/current-members/increasing-your-benefits](http://www.oxfordshire.gov.uk/business/pensions/members-pensions-scheme/current-members/increasing-your-benefits)

**More Prudential news**

**'We are reducing the cost of members' life cover with their AVC plan'**

We are reducing the cost of the life cover from January 2019. The level of life cover will stay the same.

**The Prudential will write to scheme members and explain:**

Where a member has life cover only:

- The life cover will now cost less.
- The level of life cover will stay the same.
- You won't have to do anything. The Prudential will contact payroll departments, and the new, lower premiums should be collected from January 2019.

Where you have both life cover and retirement savings:

- The life cover will now cost less for the same level of cover.
- The Prudential will be increasing your retirement savings by investing the difference between the old and the new premiums directly into your AVC plan each month.
- You won't have to do anything as the Prudential will make the change automatically from January 2019.

Prudential review their life cover rates regularly and the cost could go up or down in the future.

## **What can you tell us?**

**[www.oxfordshire.gov.uk/pensions](http://www.oxfordshire.gov.uk/pensions)**

If you are a regular visitor to our website had you noticed recently that it looks different? The pages have been refreshed, but what is missing?

Please let us know what information you expect to see on these pages and if you can't find it then tell us. We depend on feed back to make sure we cover the topics you say are essential to understanding the LGPS in Oxfordshire.

Some of the topics we have updated recently on the website include:

- fund news linking to the Brunel Pension Partnership  
[www.oxfordshire.gov.uk/business/pensions/pension-fund/about-fund](http://www.oxfordshire.gov.uk/business/pensions/pension-fund/about-fund)
- requesting early payment of a deferred pension between ages 55 - 60  
[www.oxfordshire.gov.uk/business/pensions/members-pensions-scheme/deferred-members](http://www.oxfordshire.gov.uk/business/pensions/members-pensions-scheme/deferred-members)

## Scam alert

Unless you already have a pensions relationship with a caller, cold calling about pensions is now banned. Quite simply you should just put down the phone.

Check any callers – raise concerns with [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

### **Don't let a scammer enjoy your retirement**

#### **Pension scams often include:**

- contact out of the blue
- promises of high/guaranteed returns
- free pension reviews
- access to your pension before age 55
- pressure to act quickly

## **Terms we have used in this leaflet**

### **1. Pensionable pay**

This is the pay on which you normally pay pension contributions. Typically pensionable pay includes your normal salary or wages; bonuses; overtime (both contractual and non contractual); maternity, paternity, adoption and shared parental pay; shift allowance and additional hours payments if you work parttime.

### **2. Assumed pensionable pay**

This provides a notional pensionable pay figure to ensure your pension is not affected by any reduction in pensionable pay due to a period of sickness or injury on reduced contractual pay or no pay, or relevant child related leave or reserve forces service leave.

### **3. Deferred Pension**

The pension you have secured while a member but on leaving the scheme cannot be paid immediately. The pension will remain in the fund and receive annual reviews until your retirement.

## Useful links

National LGPS members website

[\*www.lgpsmember.org\*](http://www.lgpsmember.org)

Detailed scheme member guide Oxfordshire Pension Fund

[\*www.oxfordshire.gov.uk/pensions\*](http://www.oxfordshire.gov.uk/pensions)

Prudential - top up your pension

[\*www.pru.co.uk/rz/localgov/\*](http://www.pru.co.uk/rz/localgov/)

## Advisory services

The Pensions Advisory Service

[\*www.pensionsadvisoryservice.org.uk\*](http://www.pensionsadvisoryservice.org.uk)

*0800 011 3797*

The Pensions Regulator

[\*www.thepensionsregulator.gov.uk/\*](http://www.thepensionsregulator.gov.uk/)

Money Advice Service

[\*www.moneyadviceservice.org.uk/en/categories/pensions-and-retirement\*](http://www.moneyadviceservice.org.uk/en/categories/pensions-and-retirement)

State pension planning and forecasts

[\*https://www.yourpension.gov.uk/\*](https://www.yourpension.gov.uk/)

Help with finding an independent financial adviser is available at

[\*www.moneyadviceservice.org.uk\*](http://www.moneyadviceservice.org.uk)

## Contact us

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 [www.oxfordshire.gov.uk/pensions](http://www.oxfordshire.gov.uk/pensions)

Please note that information in this booklet cannot override the regulations. In the event of a dispute we will use the appropriate regulations.

If you need this information in a different format, please contact Pension Services.

03300 241 359