

# The Local Government Pension Scheme Update



## *Pensions 4u*



## Pensions Increase

All public service pensions (of which the LGPS is one) are increased each year to reflect the rises in the cost of living. This is sometimes called inflation proofing or index linking. The LGPS offers full index linking to pension benefits i.e. there is no upper limit or capping on the amount by which benefits will be increased in times of high inflation.

### **Pensions Increase is normally paid to:**

- Pensioners who are aged 55 or over; or
- Pensioners who have retired for the reason of permanent ill health at any age; or
- Spouses and dependants of former pensioners



# Pensions Increase 2015

Your LGPS pension is increased annually in line with the rise in the Consumer Price Index (CPI), in accordance with the Pensions Increase Act 1971. Although pensions are increased in April, they are based on the rise in the CPI over the 12 months to the previous September. The pensions increase calculation for **April 2015** has been based on the increase in CPI during the 12 months preceding September 2014 and has been set at **1.2%**.

For pensions which began before 23 April 2014 this year's increase will be the full **1.2%** effective from **6 April 2015**. For pensions which began on or after 23 April 2014 the increase will be calculated in accordance with the following table:

From	To	% Increase
Pensions commencing before 23 April 2014		1.2%
23 April 2014	21 May 2014	1.1%
22 May 2014	21 June 2014	1.0%
22 June 2014	21 July 2014	0.9%
22 July 2014	21 August 2014	0.8%
22 August 2014	21 September 2014	0.7%
22 September 2014	21 October 2014	0.6%
22 October 2014	21 November 2014	0.5%
22 November 2014	21 December 2014	0.4%
22 December 2014	21 January 2015	0.3%
22 January 2015	21 February 2015	0.2%
22 February 2015	21 March 2015	0.1%

The rates of pensions increase for the last 5 years are:

Date of Increase	%
12 April 2010	0.00%
11 April 2011	3.10%
9 April 2012	5.20%
8 April 2013	2.20%
7 April 2014	2.70%
6 April 2015	1.20%



## Pensions Increase and GMP

This is where things get a little complicated. The LGPS is contracted out of the State Second Pension (formerly known as SERPS – the State Earnings Related Pension Scheme). When you reach state pension age you will receive a notice from HM Revenue & Customs giving details of your Guaranteed Minimum Pension (GMP) (this is the amount that is guaranteed to be paid to you by the LGPS had you not been contracted out of the State Second Pension).

Your GMP is already included in the total pension you receive from Croydon Council. From state pension age, therefore, your pensions increase will be paid from 2 sources, HM Revenue & Customs and Croydon Council.

Let us take an example of somebody who retired on 31 March 1988 with a total pension currently worth £1,000. Of that amount let's say that £300 relates to the GMP. The remaining £700 will be increased by 1.2% to £708.40. Add back on the GMP and the total pension payable from Croydon Council

is £1,008.40. The remaining pensions increase due on the GMP will be included as part of your State Pension as paid by HM Revenue & Customs.

If you retired after 5 April 1988 it gets even more complicated! Let's look at the example above but for someone who retired on 31st March 2008, again their pension is currently valued at £1000. Of that amount let's say that £300 relates to the GMP, but is now split depending on when it accrued, either pre or post 1988, let's say £100 is pre 1988 GMP and £200 is post 1988 GMP. The remaining £700 will be increased by 1.2% to £708.40, but the post 1988 GMP is increased by Croydon Council up to 3%, in this case the post 1988 GMP will increase by 1.2% to £202.40. Add back on the pre 1988 GMP of £100 plus the increased post 1988 GMP of £202.40 and the total pension payable from Croydon Council is £1,010.80. The remaining pensions increase due on the pre 1988 GMP will be included as part of your State Pension as paid by HM Revenue & Customs.

# National and Local Pension Boards

The Public Service Pensions Act 2013 introduced a number of changes to the Local Government Pension Scheme. You may be aware of the change from final salary to career average, but the legislation also created a raft of governance reforms including the establishment of National and Local Pension Boards. The purpose of the Local Pension Board is to assist the Director of Finance with the administration of the Scheme, mostly by providing another layer of assurance that decisions are being taken properly, that proper stewardship of the Pension Fund takes place and that benefits – your pension – is being administered correctly. The Board has a professional secretariat and an independent, non-executive Chair and has wide-ranging reporting powers to support its work. It will meet four times a year and produce an annual report.

There will be six Board members: three representing employers and three Scheme members. Everyone who is or has been a member of the LGPS at Croydon, including those who are now pensioners are eligible to self-nominate to the Board. A letter will be sent to all members to set out how this will work.

Undoubtedly the LGPS is one of the best managed pension schemes in the world. Its benefits are set out in legislation and therefore effectively guaranteed. The creation of this Board provides another layer of assurance to all pensioners that their pension is safe.

It is a well-established truism in the investment world that better resourced decisions tend to generate better outcomes. So it is that 30 London Boroughs are combining their energies to make investment decisions through the London LGPS Collective Investment Vehicle, a cumbersome title for an initiative to allow local authorities to pool their collective buying ability to drive down costs, deploy cash into investments more swiftly and generate better returns for the benefits of staff, pensioners and tax-payers. The London CIV is being hosted by London Councils and has been developed by a technical working group drawn from six boroughs, including Croydon. The CIV will formally go live this autumn with between £5 and £9 billion assets invested. Much of the governance arrangements, including a Board of Directors, are already in place and many of the technical issues have been addressed.

Negotiations are in progress with leading fund managers to put a figure to the potential savings accruing and the process of registering with the Financial Conduct Authority is underway.

This is an exciting exercise that will redefine the way that local authorities manage their pension fund investments. In the long term it will reduce the burden that falls on employers to contribute to pension pots and help ease the pressure on budgets.

## Payslips/P60s and tax codes

Just a reminder that we do not routinely send out payslips every month unless your net pension has changed by more than £20. Payslips are however generated in March, April and May. Please retain the May payslip as this will indicate your normal pension payment for the rest of the year.

Your P60 will be sent to you towards the end of May. If you need the figures before the end of May you can use the figures from your March payslip as they will be the same. Retain your P60, as you will need it should you be asked to complete a self assessment tax return. The figures provided on the P60 are the gross taxable pension and the tax deducted in the year. Subtract the amount of tax deducted from the gross taxable pension to arrive at the net amount paid in the year.

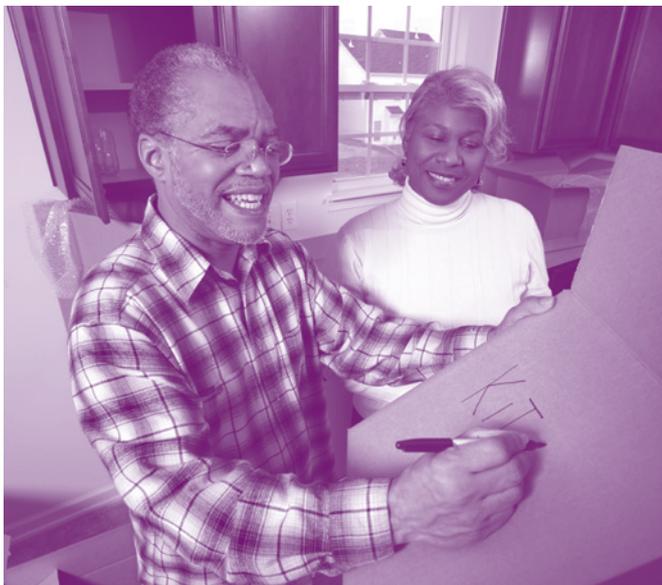
When you receive a new tax code from the Inland Revenue please check that we have applied the same code. Please allow at least 6 weeks for the change to be made as normally you will receive your code a few weeks before we do.

## Pensions Pay dates

Your pension payments are made to your bank or building society account on the 24th of every month. The payment dates for the next 12 months are:



2015	
March 2015	Tuesday 24 March
April 2015	Friday 24 April
May 2015	Friday 22 May
June 2015	Wednesday 24 June
July 2015	Friday 24 July
August 2015	Monday 24 August
September 2015	Thursday 24 September
October 2015	Friday 23 October
November 2015	Tuesday 24 November
December 2015	Friday 18 December (to be confirmed)
2016	
January 2016	Friday 22 January
February 2016	Wednesday 24 February
March 2016	Thursday 24 March



## Changes in circumstance

If you move house, become re-employed or change bank account, please write to inform us as soon as possible. Failure to inform us may result in your pension being suspended. Please do not rely on the company that holds your account to notify us.

We cannot accept any bank changes over the phone, via email or fax. All notification of changes to bank accounts need to be sent in writing and signed by yourself, quoting your pension number or national insurance number.

We have a number of pensioners who need a bit of help from relatives or friends with their financial affairs. This is not a problem, but to enable us to take instructions regarding change of address or bank details from a person other than the pensioner, we do require either a power of attorney or a court of protection order.

## Payment of pensions overseas

If you decide to emigrate, your pension can still be paid monthly into a bank account anywhere in the world. All overseas transactions are dealt with by Western Union who make a small charge for currency conversion and transmission of the payment.

## Your pensioner representative

There are 2 pensioner representatives who attend the Pensions Committee meetings on your behalf, the current representatives are Gilli Driver and Peter Howard. They can be contacted through the pensions team. Minutes from these meetings can be viewed on line at <http://www.croydon.gov.uk/democracy/dande/minutes/pensions/>

New pensioner representatives are elected every three years. Letters will be sent out shortly regarding the election of new pensioner representatives.

## Feedback

We would welcome your views on this newsletter and if you have had dealings with us recently we would like to hear from you on the service you received, good or bad.



## How to contact us

### By post at:

#### The Pensions Team

Croydon Council  
Floor 11, Zone A  
Bernard Weatherill House  
8 Mint Walk, Croydon CR0 1EA

### By telephone:

020 8760 5768 Ext 62892

### By email:

[pensions@croydon.gov.uk](mailto:pensions@croydon.gov.uk)

If you wish to change the bank/building society details for the payment of your pension, please write to:

#### Croydon Payroll

Liberata UK Ltd  
4th Floor East  
NLA Tower  
12-16 Addiscombe Road  
Croydon CR9 6LL