

ES East Sussex PF Pension Fund

Local Government Pension Scheme (LGPS)

East Sussex Pension Fund Employers Newsletter

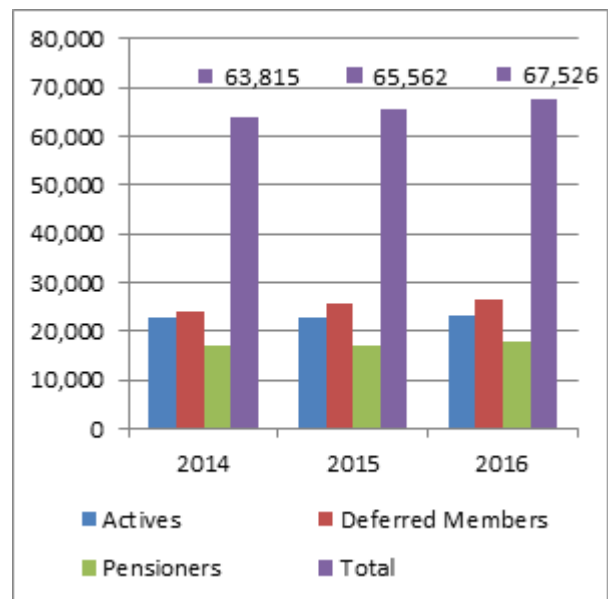
April 2016

Welcome to the April 2016 Newsletter for employers' participating in the **East Sussex Pension Fund (ESPF)**. This newsletter is designed to inform and update you on issues that will affect you in relation to the LGPS and how the Fund is administered on your behalf.

In this edition we look at:

- ❖ Membership
- ❖ The Pension's Regulator
- ❖ Public Service Exit Cap
- ❖ Exit Payment Clawback
- ❖ Pension Tax Changes
- ❖ Review of State Pension Age
- ❖ Investment Pooling
- ❖ End of Contracting-out
- ❖ Actuarial Valuation
- ❖ Local Pension Board update

Membership – The Fund membership continues to grow. As at 31 March 2014 there were over 63,000 members, at 31 March 2015 over 65,000 members and over 67,000 members as at 31 March 2016. There are three main categories of membership, Actives (current contributing members), Deferred (members who have frozen their benefits) and Pensioners (members who are in receipt of a pension). Please see below a chart showing the East Sussex Pension Fund (ESPF) membership trends since the year 2014.



The Pension's Regulator – Last year the Pension's Regulator undertook a survey of public service pension schemes compliance against the Public Service Pension Schemes Act 2013 and his Code of Practice 14. Following the publications of its findings the Regulator has confirmed the focus over the coming year will be centred on record keeping, good data and communications. Given we are in a valuation year, the emphasis on good data and record keeping is of course timely and we will be liaising closely with you over the coming weeks as you work toward submitting your year-end member data.

Public Service Exit Cap – In May 2015, the Government announced that it wanted to end “six-figure exit payments” in the public sector. As a result it intends to introduce a financial “cap” on the payments made to public service employees when they leave employment. The cap will cover all of the major public services, including local government, teachers, civil service and NHS employees. Not all LGPS employers will be covered and you will need to satisfy yourself over the implications of the exit cap on you as an employer.

Payments that are covered: The cap will cover a broad range of circumstances including both voluntary and compulsory termination of employment, as well as flexible retirement.

Full details on how and when the cap will introduced have not been confirmed, although the Government have indicated it is not expected to be introduced until October 2016 at the earliest. It is expected that the cap will include:

- Redundancy payments;
- Any other compensation or severance payments (e.g. pay in lieu of notice, etc.);
- Employer capital costs of providing early unreduced access to benefits (often referred to as pension strain).

Benefits relating to ill health retirement are not affected by the cap.

Impact on individuals: The cap will only apply to those individuals where the aggregate of their exit payments is greater than the £95,000 limit. Where this applies then the value of the exit payments will have to be reduced to the point where the total value of all exit payments is equal to £95,000.

For someone aged 55+ who leaves on redundancy or reasons of efficiency we believe the options to achieve this in the LGPS will be:

1. Receive payment of a reduced pension and lump sum, but keep the redundancy or other exit payments;
2. Give up some or all of their redundancy or other exit payments in order to receive unreduced retirement benefits.
3. Choose a mixture of 1 and 2, above. This means giving up some of the redundancy pay to remove some (but not all) of the reduction on pension and lump sum.

Further details will be communicated to employers once we know more.

Exit Payment Clawback – We have previously mentioned that the Government planned to require the recovery of exit payments (including pension strain payments) from an individual earning £80,000 or more in their original post who is re-employed in any part of the public sector within 12 months of the original termination. This should become effective from 1 April 2016, although at the time of writing the actual Regulations confirming this had not been published.



Pension Tax Changes – From 6 April 2016 the latest changes to the annual and lifetime allowances came into effect.

Annual allowance: is the annual limit on pension savings that can be made in each year which will receive tax relief and is currently set at £40,000.

The latest changes mean that for anyone in the LGPS currently earning in excess of £124,000 the value of their annual allowance could be reduced. However, the maximum reduction that can apply to the annual allowance is £30,000, which leaves a reduced annual allowance of £10,000 available.

At the end of the financial year, a check is carried out and to see if anyone in the Fund is affected by this change and if the annual allowance is exceeded, those affected will be notified accordingly with full details.

Lifetime allowance: is the overall limit on the amount of pension saving someone can have during their working life, without incurring a tax charge. In his 2014 Budget, the Chancellor announced that this allowance would reduce on 6 April 2016 from £1.25 million to £1 million. Transitional protections have been introduced for those individuals with pension savings close to or greater than £1 million (these protections are known as fixed protection 2016 and individual protection 2016 – details can be found on the East Sussex Pension Fund website.

HMRC intend to put in place an on-line facility for individuals to apply for these transitional protections, but it is not expected that this will be in place before July 2016. Individuals retiring in the intervening period would have to apply to HMRC in writing. Details on how to do this can be found [here](#).



Review of State Pension Age –

The 2014 Pensions Act requires the State Pension age to be reviewed during each

Parliament. The Government has confirmed that John Cridland CBE will undertake the latest review. The purpose of the review is to consider changes in life expectancy, wider changes in society and to help ensure that the State Pension remains sustainable for generations to come. It will be forward looking and will not cover the existing State Pension age timetable to April 2028.

It must report back to the Secretary of State for Work and Pensions in time to allow Government to consider the recommendations by May 2017.

Details on the review can be found [here](#).



Investment Pooling – We have previously informed you that the East Sussex Fund had chosen to join the ACCESS pool, as part of the Governments desire to see

LGPS Funds pool investments to reduce costs and extend investment in infrastructure. Work continues on the ACCESS pool submission to Government, the final version of which must be issued by no later than 15 July 2016.

End of Contracting-out – The new State Pension was introduced on 6 April 2016 for those reaching State Pension age after that date. This reform means that the current system of contracting-out of the additional State Pension for Defined Benefit schemes will come to an end. Under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 there is a responsibility for members and beneficiaries to be advised that from April 2016 they will no longer be contracted out. In accordance with the regulations a communication will be sent to members by no later than 3 months after this date.

Actuarial Valuation – Work continues on the 2016 Valuation, the results of which will set your employer contribution rate for the three years from 1 April 2017. Employers are reminded of the importance of returning the year end information required to the administration team within the deadline. A detailed newsletter specifically on the 2016 valuation exercise was issued to Employers on 3 March 2016.

Local Pension Board

The Pension Board last meet on the 4 February 2016, the next meeting is on 12th May 2016. The full agenda and minutes of this meeting will be available on ESPF website after the meeting:

<https://democracy.eastsussex.gov.uk/ieListMeetings.aspx?Committeed=374>. We will keep you

updated in respect of the pension board future activities accordingly. In the meantime if you require further information you can visit the East Sussex County Council Website:

<https://new.eastsussex.gov.uk/jobs/workingateast-sussexcountycouncil/pensions/>

Contact Details:

Any queries concerning the contents of this Newsletter should be directed to:

Wendy Neller

Pensions Strategy and Governance Manager

East Sussex County Council

St Anne's Crescent, Lewes

East Sussex, BN7 1UE

Email: Pensions@eastsussex.gov.uk