Welcome to the latest edition of the All Wales Pension Funds Newsletter (December 2015).

A new single tier, flat rate State Pension is being introduced for people who reach State Pension Age (SPA) on or after 6th April 2016. It will replace the existing two tier arrangement 1) the Basic State Pension and 2) the Additional State Pension (ASP) and should help individuals better understand what they will get, so that they can plan for their retirement.

As the Local Government Pension Scheme (LGPS) is “contracted-out” of the ASP, scheme members are currently automatically taken out of the ASP during the time in which they are actively contributing to the LGPS. As a result, active members pay a lower amount of National Insurance (N.I.) contributions1 (sometimes referred to as an N.I. rebate), as they are unable to contribute to the LGPS and pay full N.I. contributions to receive the ASP when they reach SPA.

Will the benefits provided by the LGPS change?
There are NO plans to change the benefits the LGPS provides as a result of the introduction of the new State Pension.

Who will receive the new State Pension?
You will be able to claim the new State Pension if you are:

• a man born on or after 6 April 1951;
• a woman born on or after 6 April 1953;

and normally, have at least 10 years qualifying years on your N.I. record.

If you reach your SPA before 6th April 2016, you will get your State Pension under the current arrangement instead. If you do not know your SPA, you can use the SPA calculator to find out: www.gov.uk/calculate-state-pension

Where do I find out more information?
More information about the new State Pension can be found at:
www.gov.uk/yourstatepension

If you are age 55 or over, you can request an estimate of the State Pension you will receive under the new system at:
www.gov.uk/state-pension-statement

Why Is the State Pension changing?
The Government’s aim is to introduce a simpler, fairer system where people have a better idea about what pension the State will provide, making it easier to plan their retirement savings.

Will I qualify for the full amount of the new State Pension?
The new State Pension will be based on your N.I. contributions record and a new minimum qualifying period will be introduced. People with no N.I. contributions record before 6th April 2016 will need 35 qualifying years to get the full amount of new State Pension.

If you have paid into the LGPS between 6th April 1978 and 5th April 2016 and reach your SPA on or after 6th April 2016, the amount of new State Pension you receive will be reduced in respect of this period, to reflect the fact that you and your Employer have paid a lower rate of N.I. (due to the LGPS being contracted-out of the current additional State Pension).

If this applies to you, you are unlikely to receive the full amount of the new State Pension. However, this will depend on your individual N.I. record and how many qualifying years you have after April 2016.

How much will the full amount of the new State Pension be and will it provide enough income during my retirement?
The Government has confirmed the full amount of the new State Pension will be no less than £155.65 a week (to be confirmed). For further information about the calculation of the new State Pension and for a definition of a qualifying year, please refer to: https://www.gov.uk/new-state-pension/overview

The State Pension is only intended to make up part of your retirement income and will provide a very basic standard of living in retirement. It is important that you plan for your retirement, taking into account that:

• people are generally living longer, so you are likely to spend more time in retirement;
• you may want to retire before your SPA;
• if you were a member of the LGPS prior to 6th April 2016, you may not qualify for the full amount of the new State Pension.

Note that the introduction of the new State Pension will NOT affect your LGPS benefits and that these benefits will continue to form an important part of your income in retirement.

¹Provided you are under SPA, have earnings over £112 per week / £486 per month (2015/16 figures) and you are not paying the Married Woman’s / Widow’s Reduced Rate of N.I. contributions.
How much more in National Insurance (N.I.) contributions will I have to pay?

The current N.I. rebate is 1.4% of pay between certain thresholds. From 6th April 2016, you will no longer receive this rebate and will pay the standard rate of N.I.. The examples within the table show how much extra N.I. contributions will be payable from 6th April 2016. (These examples assume the individual is over 21 years and is based on the current N.I. thresholds - 2015/2016).

<table>
<thead>
<tr>
<th>Earnings</th>
<th>N.I. payable currently</th>
<th>N.I. payable from 6th April 2016</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>£10,000 per year (£833.33 per month)</td>
<td>£14.50 per month</td>
<td>£19.36 per month</td>
<td>£4.86 per month</td>
</tr>
<tr>
<td>£15,000 per year (£1,250 per month)</td>
<td>£58.66 per month</td>
<td>£69.36 per month</td>
<td>£10.70 per month</td>
</tr>
<tr>
<td>£27,000 per year (£2,250 per month)</td>
<td>£164.66 per month</td>
<td>£189.36 per month</td>
<td>£24.70 per month</td>
</tr>
</tbody>
</table>

NOTICE TO ALL MEMBERS

What is the LGPS N.I. Database?

The Fund participates in a data sharing arrangement with other LGPS Pension Funds in England, Wales and Scotland. This is undertaken in order to comply with legal requirements contained in the LGPS’s governing regulations.

Provisions contained in the LGPS Regulations 2013 mean that if a member of the LGPS dies, it is necessary for the Fund to know if the individual has other LGPS benefits elsewhere in the UK, so that the right death benefits can be calculated and paid to the deceased member’s dependants.

As the LGPS is locally administered, each Pension Fund has its own benefit records, therefore it can be difficult to identify if an individual has other LGPS records elsewhere. In order to comply with the requirements set out above, the National Database will enable Funds to check if their members have LGPS pensions records with other Pension Funds.

What data is being shared?

For each member of the LGPS (whether active, deferred or a pensioner), the Database contains an individual’s N.I. number, membership status, the last calendar year in which the membership status changed and a 4 digit number specific to the appropriate Pension Fund.

Who is hosting the Database?

The Database is hosted at the South Yorkshire Pensions Authority, an LGPS Pension Fund.

How will the data be processed?

The data held on the Database will be processed in accordance with the Data Protection Act 1998 and all other relevant legislation.

Is there another purpose to the Database?

An extract of the membership information contained in the Database will periodically be shared with the Department for Work and Pensions (DWP), so that the LGPS can join the Tell Us Once (TUO) service. TUO is a service offered in most parts of the UK when an individual registers a death. When the LGPS joins TUO and the death of an LGPS member is registered, the DWP systems will ensure that the LGPS Pension Fund is informed of the death, meaning that the member’s record(s) can be updated quicker.

Who is the data shared with?

Other LGPS Pension Funds. These are all public bodies named in legislation as administering authorities of the LGPS. For the TUO service, an extract of the Database containing individuals’ N.I. numbers will be securely shared with the DWP every month to maintain an up-to-date record of LGPS membership.

How long will this exercise continue for?

For as long as a) the relevant regulatory requirements remain, and b) the LGPS participates in the TUO service. In the event that neither of the above apply, the data sharing will cease to be undertaken.

Can I opt out of this data sharing?

No. As this data sharing is being undertaken to comply with a legal requirement, it is NOT possible for you to opt out of the data sharing.

I cannot afford to pay the extra N.I. contributions. What can I do?

The new State Pension will only provide a very basic level of income in retirement meaning that the LGPS will remain an important part of your retirement planning. Remember that you will continue to get tax relief on your pension contributions, as your contributions are deducted from your pay before you pay tax.

You have flexibility to pay less pension contributions, with the option to pay half your normal contributions in return for building up half your normal pension (although you still retain full life cover and ill health cover). This is known as the 50/50 section of the scheme and is designed to help members stay in the scheme, building up valuable pension benefits, during times of financial hardship.

What is the 50/50 Section?

The 50/50 section is designed to be a short-term option and your Employer is required to re-enrol you back into the Main section of the scheme every 3 years. This will be carried out in line with your Employer’s automatic re-enrolment date.

The 50/50 Election form is available from your Employer, but further information can be found on the Fund website.