

March 16

Dear Colleague,

Changes to the State Pension and the Local Government Pension Scheme (LGPS)

The Government is introducing a new single-tier, flat rate State Pension for people who reach State Pension age on or after 6 April 2016. This will replace the current basic and additional State Pension payments. The Government changes to the State Pension will be from 5 April 2016, and aims to introduce a simpler, fairer system so you can have a clearer idea about what pension the state will be providing, making it easier for you to plan for your retirement.

As a member of the LGPS you are currently 'contracting-out' of the additional State Pension.

What does 'contracting-out' mean?

In addition to the basic state pension, the state provides a second-tier top-up pension, based on how much you earn.

As a member of the LGPS you are currently automatically 'contracted out' of the additional state top up pension and therefore receive a rebate on your national insurance (NI) contributions. This means that most members of the LGPS are currently paying lower amount of National Insurance contributions and will not receive an additional second tier top up state pension.

What does this mean for members of the Local Government Pension Scheme?

Because you are 'contracting out' of the additional State Pension, you receive a rebate on the National Insurance contributions you pay on any earnings between £5,824 and £40,040 per year (unless you are already over State Pension age or are one of the few members still paying the married woman's or widow's reduced rate of National Insurance). This means if you are a member of the LGPS you are not building up much, if any, additional State Pension; you are building up pension benefits in the LGPS instead.

From 6 April 2016 the new single tier State Pension replaces the basic and additional State Pension for those who reach State Pension age after 5 April 2016 and the 'contracted-out' status for all LGPS members (not just those reaching State Pension age after 5 April 2016) will no longer exist.

This means that you will no longer receive the National Insurance rebate and you will pay a higher amount of National Insurance than in previous years (unless you are already over State Pension age or are one of the few members still paying the married woman's or widow's reduced rate of National Insurance).

There are no plans to change the benefits the LGPS provides as a result of the introduction of the new State Pension.

How much more in National Insurance contributions will I have to pay?

The current National Insurance rebate is 1.4% of pay between certain thresholds. From 6 April 2016 you will no longer receive this rebate and will pay the standard rate of National Insurance.

Below are some examples showing how much extra National Insurance contributions will be payable from 6 April 2016.

Earnings	National Insurance payable currently	National Insurance payable from 6 April 2016	Difference
£15,000 per year (£1,250 per month)	£58.66 per month	£69.36 per month	£10.70 per month
£27,000 per year (£2,250 per month)	£164.66 per month	£189.36 per month	£24.70 per month
£45,000 per year (£3,750 per month)	£307.65 per month	£352.76 per month	£45.11 per month

These examples assume the individual is over 21 years of age.

Where can I get more information?

More information about these changes can be found at www.haringeypensionfund.co.uk including information about the 50/50 section of the LGPS which allows you to pay half your normal pension contributions in return for building up half your normal pension, whilst retaining full life and ill health cover.

The 50/50 section might be of interest to you if the rise in National Insurance contributions is likely to cause you financial difficulty and lead you to consider opting out of the LGPS. It offers a means to remain in the LGPS, at a cheaper rate, whilst retaining valuable benefits. Further information about the LGPS is available at www.lgps2014.org

What does this mean for my State Pension?

Visit www.gov.uk/yourstatepension for information about the new State Pension.

Yours sincerely

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