Cambridgeshire
Pension Fund

2014 Newsletter

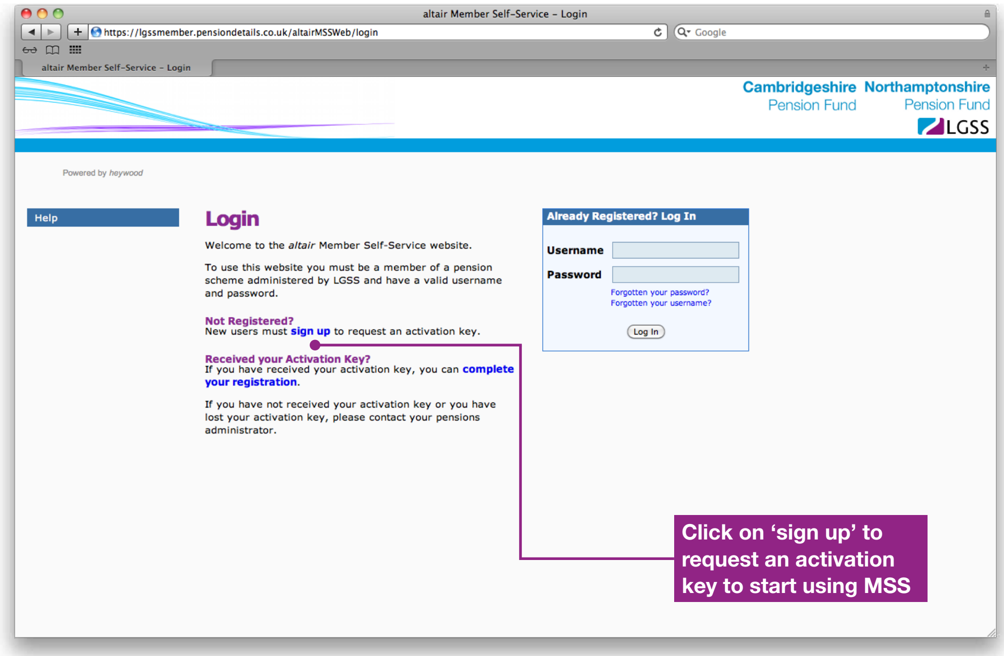
LGSS

Member Self Service

Member Self Service (MSS) is an internet based application which gives you access to your individual information, held by the LGSS Pensions Service.

Using MSS you can amend and update your personal information and view your financial details. It also includes the ability for you to carry out estimated retirement calculations and access annual allowance information.

By now you should have been sent a letter containing an activation key allowing you to use MSS. If you have not yet registered, please use the self register facility on the MSS Login page — **https://lgssmember.pensiondetails.co.uk/altairMSSWeb/login**



Annual and Lifetime Allowances

Annual Allowance

Annual allowance is the amount by which the value of your pension benefits can increase each year without you having to pay a tax charge. The Annual Allowance amount for 2014/15 is £40,000, reduced from £50,000 in 2013/14.

If you exceed the Annual Allowance in any year you are responsible for reporting this to HM Revenue & Customs (HMRC) on your self-assessment tax return.

However, you can carry forward any unused amounts of Annual Allowance from the previous three years. This means that even if the value of your pension benefits increases by more than £40,000 in a year you may not be liable for the tax charge.

Most people will not be affected by the Annual Allowance tax charge because the value of their pension saving will not increase in a tax year by more than the Annual Allowance or, if it does, they are likely to have unused allowance from previous tax years that can be carried forward. An increase in annual pension of around £2,220 to £2,500 is likely to exceed the annual allowance for 2014/15. However, if you have exceeded the Annual Allowance we will be contacting you shortly, in writing, to inform you of this.

More can be read on the HMRC's website **www.hmrc.gov.uk/pensionschemes/understanding-aa.htm**

Lifetime Allowance

Lifetime Allowance is the total value of all pension benefits you can take without paying a tax charge on the excess when you take payment of your benefits. The current Lifetime Allowance is £1.25 million.

Most people will not be affected by the Lifetime Allowance tax charge because the value of their pension benefits is unlikely to exceed the Lifetime Allowance limit; an annual pension of more than £45,000 would be required to exceed the limit.

More can be read on the HMRC's website **www.hmrc.gov.uk/pensionschemes/understanding-la.htm**

Additional Pension Contributions

Purchasing Additional Pension Benefits

Additional Pension Contributions (APCs) are a new facility, introduced on 1 April 2014, that allows you to purchase up to £6,500 of additional LGPS pension.

You can choose the amount of extra pension that you wish to purchase and this can be paid as a one off cost or by extra contributions deducted from your salary over a specified period. Once fully paid for, you will receive this extra amount, on top of your normal pension benefits, every year for the rest of your life from retirement. The amount will be adjusted if payment commences before or after your Normal Pension Age.

Buying Back Lost Pension

In addition to purchasing extra pension benefits, APCs can also be used to buy back pension you lose due to any authorised unpaid leave or strike action you take.

- **Authorised Unpaid Leave – Shared Cost APC**
  If you make an election to pay APCs to buy back lost pension due to authorised unpaid leave and do so within the first 30 days of returning from that leave, your employer will pay two thirds of the cost towards the APC; this is known as a Shared Cost APC (SCAPC).

  If you miss the 30 days deadline you can still pay APCs to buy back the lost pension but you would then cover the whole cost yourself.

  You will need your employer's assistance when completing the form and any application for a SCAPC will need to be signed by your employer.

- **Strike Action**
  If you wish to pay APCs to buy back pension that was lost due to strike action, you would cover the whole cost yourself. Your employer will not contribute to the cost of buying back this lost pension.

Further Information

You can find out more about paying APCs on the "Increasing Your Benefits" page of our website. This includes the relevant forms and a useful calculator to help you estimate the cost of paying APCs. **http://pensions.cambridgeshire.gov.uk/index.php/current-scheme-members/increasing-your-benefits/**

Pension scams are on the increase. You may have already been targeted

The scammers have a variety of tricks to catch you out. They may:

- claim that you can access your pension pot before age 55
- approach you out of the blue over the phone, via text message or in person door to door
- entice you with upfront cash
- offer a free pension review or try to lure you in with so called 'one off' opportunities.

The scammers may even pretend that the Government has asked them to contact you. What they won't tell you is that you'll probably never see your pension pot again. Don't be fooled by their promises.

Check the facts before you make an irreversible decision. A lifetime's savings can be lost in a moment.

What to do if you think you're being targeted:

- Never be rushed or pressured into making a decision
- Before you sign anything, call The Pensions Advisory Service on 0300 123 1047
- If you have already accepted an offer, call Action Fraud on 0300 123 2040

Visit **www.pension-scams.com** to find out more.

Pension scams.
Don't get stung.

Contact us…

Should you have any queries regarding the Annual Benefit Statement we should be grateful if you would contact us by email or in writing, after visiting our website first.

Web: **http://pensions.cambridgeshire.gov.uk**

Email: **pensionsabs@northamptonshire.gov.uk**

LGSS Pensions Service
John Dryden House
8–10 The Lakes
Northampton NN4 7YD

Last year we informed you that the LGSS Pensions Service's main office will be located at John Dryden House in Northamptonshire. All incoming phone calls and written communication should be directed to this office using the contact details above or the phone number available on our website.

However should you need to speak to a member of the LGSS Pensions Service in person, an appointment in Cambridge can be arranged to suit your needs.

Boost Your Lump Sum or Pension with Prudential's AVCs

Additional Voluntary Contributions (AVCs) are a flexible, tax-efficient way to save for retirement. Each month up to 100% of your monthly pensionable pay can be paid over to an AVC arrangement. When you retire, up to 25% of your AVC pot can be taken as a tax free lump sum with the rest used to buy additional taxable pension income.

AVCs attract tax relief, being deducted before tax on your pay is calculated. So, for example, for every £50 a month you pay in AVCs it will actually only cost you £40 a month as a basic-rate tax payer, and only £30 a month if you are a higher-rate tax payer.

If you think you may like to increase your retirement benefits, and would like more information about AVCs please call the Prudential Connection Team on freephone 0800 731 0466 or go online at **www.pru.co.uk/localgovavc**

PRUDENTIAL

LGPS 2014

You should be aware by now that the LGPS has changed. In 2010 the Independent Public Service Pension Commission, headed by Lord Hutton, made a number of recommendations about the future design of public service pension schemes. As a result the Government has reformed the LGPS in England and Wales, introducing the new scheme on 1 April 2014. The new scheme takes into account the recommendations of the Commission. The main changes to the scheme are set out below and in the table overleaf.

A Career Average Pension

The LGPS 2014 is a career average scheme (also known as Career Average Revalued Earnings or CARE).

This means that rather than using a member's final year's pensionable pay to calculate a pension (as in a final salary scheme), it will now be based on the member's actual earnings for each year. Each year's pension will then be revalued (i.e. increased) by inflation to maintain its value. Then, each year's revalued pension is added together to get the total pension. So the total pension builds up as below:

The '50/50' Option

The new look scheme has been designed to provide an element of choice. The '50/50' option enables members to pay half their normal contribution rate and in return build up half pension during that period.

Members will also still retain the full value of pension scheme benefits due in the event of benefits becoming immediately payable as a result of death in service or permanent ill health.

The '50/50' option is intended to be of benefit to those members that might otherwise opt out of the scheme due to low pay or during periods of hardship.

More details regarding the '50/50' option can be found on our website.

Starting Position 0	+	Pension earned in Year 1	+	Inflation	=	Year 1 Pension Total
Year 1 Pension Total	+	Pension earned in Year 2	+	Inflation	=	Year 2 Pension Total
Year 2 Pension Total	+	Pension earned in Year 3	+	Inflation	=	Year 3 Pension Total

	LGPS 2008	LGPS 2014
Basis of Pension	Final Salary (full time equivalent)	Career Average Revalued Earnings (CARE)
Build up Rate	1/60th	1/49th
Pensionable Pay	Pay excluding non-contractual overtime and non-pensionable additional hours	Pay including non-contractual overtime and additional hours for part time staff
Contribution Rate	Tiered rates based on Full Time Equivalent pensionable pay	Tiered rates based on ACTUAL annual pensionable pay
Contribution Flexibility	No	Yes, 50/50 option as detailed previously
Normal Pension Age (minimum age 65)	65 years	Latter of State Pension Age or 65 years
Qualifying Period for Benefits	3 months	2 years
Death in Service Lump Sum	3 x pensionable pay	No Change
Death in Service Survivors Benefits	1/160th accrual based on Tier 1 ill health pension enhancement	No Change
Annual increase of Pension in Payment	Based on Consumer Price Index (CPI)	No Change
Ill Health Provision	**Tier 1** – immediate payment with pension enhanced by amount that would have been built up between leaving and Normal Pension Age **Tier 2** – immediate payment of pension enhanced by 25% of the further pension that would have built up between leaving and Normal Pension Age **Tier 3** – temporary payment of pension for up to 3 years	No Change

Cambridgeshire Pension Fund's Accounts and Investments

The Cambridgeshire Pension Fund collects contributions from both employers and employees and then invests those funds. Overleaf is a summary of our accounts and investments.

Accounts

Our full accounts for 2013–14 and our Statement of Investment Principles are published each year on the Governance area of our website following full external audit – **http://pensions.cambridgeshire.gov.uk**

The table below shows how our net assets have increased in the last tax year, compared to the previous year.

	2012–13	2013–14
	£000s	£000s
Opening net assets of the scheme	**1,644,885**	**1,903,722**
Employees contributions	22,890	23,489
Employers contributions	73,172	76,086
Transfer values received	4,553	4,249
Payments to pensioners and dependents	– 78,179	– 87,599
Transfer outs and other payments to leavers	– 5,607	– 5,514
Advisor fees and general admin costs	– 2,920	– 2,652
Net investment return	244,928	145,760
Closing net assets of the scheme	**1,903,722**	**2,057,541**

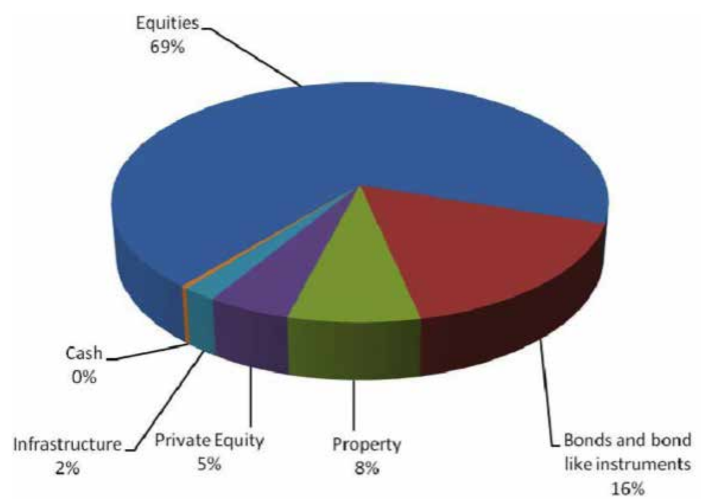
Investments

As at 31 March 2014, the Cambridgeshire Fund had appointed twelve Investment Managers to manage a mix of investment approaches and asset types in order to ensure the best return on our investments as well as manage our risk.

The Fund invests for the long-term to ensure that sufficient funds are available not only to meet its existing pension liabilities, but also to make advance provision for future pension liabilities. Following the three-yearly review of the Fund's liabilities in March 2013, the Fund expects cash inflows from contributions to continue to exceed benefit payments for many years to come. The investment priority therefore remains long-term growth.

The current investment strategy seeks to achieve this by having a core allocation to equities within a diversified overall portfolio. The target allocation to equities at 64.5% is broadly similar to the average Local Authority Pension Fund.

A further 21.0% is allocated to growth assets, split between property (11.0%) and private equity and infrastructure (10.0%). This leaves 14.5% allocated to investments in bonds and bond like instruments that are less exposed to rising interest rates. The chart below shows the actual assets held at the current time. Overall it has been an encouraging year. The Fund has achieved above average returns and has seen a substantial improvement in its funding level, all against a mixed geographical, political and economic backdrop. Our investments returned 7.8%, outperforming the Fund's benchmark return of 7.2% and the average Local Authority Pension Fund (6.4%).



The chart shows the current asset allocation of the Fund. Please note that some asset classes are over or under their target allocations due to market movements and the fund's current tactical asset allocation views.