

# PensionsFocus



## Special Edition – The New State Pension and how it affects LGPS members

### What's changing?

A new single tier, flat rate State Pension is being introduced for people who reach State Pension age on or after 6 April 2016. The new State Pension should help people better understand what they will get so that they can plan for their retirement. It will replace the existing basic and additional State Pension.

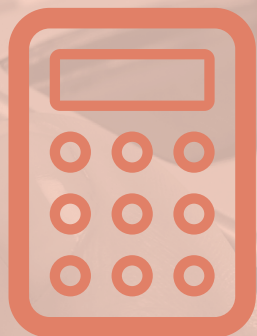
#### Why does the change affect you?

##### Paying more National Insurance Contributions

As a member of the Local Government Pension Scheme (LGPS) you are currently 'contracted out' of the additional State Pension and therefore receive a rebate on your National Insurance (NI) contributions. This means that most members of the LGPS are currently paying a lower amount of National Insurance contributions. From 6 April 2016 you will no longer receive this National Insurance rebate which means you will start to pay a higher amount of National Insurance contributions.

##### Most LGPS members won't receive the full new State Pension

It is important that as a member of the LGPS you understand that if you are eligible for the new State Pension you might not receive the full amount. This is because you have paid a lower amount of National Insurance in previous years.



#### What's not changing?

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

Your LGPS benefits will continue to be a very important part of your income in retirement, providing an excellent range of benefits including benefits for your loved ones:



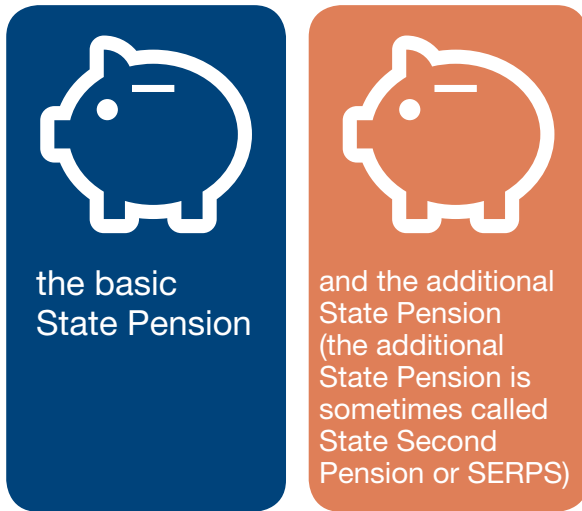
- You have access to a scheme offering secure benefits
- You pay pension contributions and your employer pays too
- You get tax relief on your pension contributions, as your contributions are deducted from your pay before you pay tax
- Your pension is worked out each year with inflation added so it keeps up with the cost of living
- You have the freedom to choose when to take your pension between age 55 and 75
- You can exchange part of your pension on retirement for a tax-free lump sum
- You have peace of mind for you and your family with immediate life cover and pensions for dependants.

Find out more at [www.nypf.org.uk](http://www.nypf.org.uk). Also have a look at your Annual Benefit Statement on your [online pension record](#) which shows the value of your pension benefits at 31.3.2015 as well as a projection at your normal pension age.

**You can look forward to the future with confidence with the LGPS because the benefits you build up in the scheme are secure and set out in law.**

## Why will I have to pay more in National Insurance contributions?

The current State Pension is made up of two parts:



The LGPS is contracted-out of the additional State Pension. This means that during your membership of the LGPS you have been receiving a rebate on your National Insurance contributions and have not been building up additional State Pension. You have been building up pension benefits in the LGPS instead.

From 6 April 2016 the new State Pension will replace the existing basic and additional State Pensions with a single tier, flat rate State Pension. This will end contracting-out of the additional State Pension and so the rebate on scheme members' National Insurance contributions will cease.

### I cannot afford to pay the extra National Insurance 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.

A 50/50 option form is available from your employer. Further information about the 50/50 section is available at <http://lgps2014.org/>.

## 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<sup>1</sup>.

Earnings	National Insurance payable currently	National Insurance payable from 6 April 2016	Difference
<b>£15,000</b> per year (£1,250 per month)	£58.66 per month	£69.36 per month	£10.70 per month
<b>£27,000</b> per year (£2,250 per month)	£164.66 per month	£189.36 per month	£24.70 per month
<b>£45,000</b> per year (£3,750 per month)	£307.65 per month	£347.56 per month	£39.91 per month

<sup>1</sup>The examples assume the individual is over 21 years, are based on the current NI thresholds (2015/16) and have been calculated using the calculator <http://nicecalculator.hmrc.gov.uk/Class1NICs1.aspx>

To find out how much more in National Insurance contributions you will be paying from 6 April 2016 you can use the contributions calculator <http://lgps2014.org/contcalc/>. This calculates the National Insurance rebate you are currently receiving; from 6 April 2016 this rebate will no longer be applicable.

## Will I qualify for the full amount of the new State Pension?

The new State Pension will be based on your National Insurance contributions record and a new minimum qualifying period will be introduced. People with no National Insurance contributions record before 6 April 2016 will need 35 qualifying years to get the full amount of new State Pension.

If you have paid into the LGPS between 6 April 1978 and 5 April 2016 and attain State Pension age on or after 6 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 National Insurance (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 National Insurance record and how many qualifying years you have after April 2016.

The Government has confirmed that the **full** amount of new State Pension will be £155.65 per week.

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>

## Will the new State Pension provide sufficient income in retirement?

The State Pension is intended to be only a 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're likely to spend more time in retirement
- you may want to retire before your State Pension age
- if you were a member of the LGPS prior to 6 April 2016 you may not qualify for the full amount of the new State Pension

The LGPS will continue to be an important part of your retirement planning. For information about the benefits provided by the LGPS please visit: <http://www.lgps2014.org/>

## Who will receive the new State Pension?

You will be able to claim the new State Pension if you're:



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 National Insurance record.

If you reach State Pension age before 6 April 2016 you'll get your State Pension under the current scheme instead.

If you do not know what your State Pension age is you can use the State Pension age calculator to find out - <https://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](http://www.gov.uk/yourstatepension)

If you are over age 55 you can request an estimate of the State Pension you will receive under the new system here:  
[www.gov.uk/state-pension-statement](http://www.gov.uk/state-pension-statement)

A video about the new State Pension can be viewed here:  
<https://www.youtube.com/user/PensionTube>



## Pensions Section staff took the 'NI Rise Challenge'

The Pensions Team have been thinking about how they can make adjustments to account for the increase in National Insurance (NI) contributions from April 2016. We've set ourselves an 'NI Rise Challenge' and have looked to see how we could save the equivalent of the NI rise by making some simple changes. Some staff were already making savings as much as they could across a range of weekly expenses and many have managed to find something that they can change. Some changes have involved making healthier choices as well as saving money on a regular basis.

You may be doing many of the things listed below but we hope you find our list of suggestions helpful in deciding if you can make any changes yourself.

### Amanda

- *Make your own lunch instead of buying it every day*
- *Wash clothes on a delicate cycle instead of going to the dry cleaners. Try at your own risk!*

### Anna

- *Batch cook and freeze so you have readily available nutritious meals during the week*
- *Grow plants and vegetables from seed*

### Andrea

- *Swap to discount supermarkets for the weekly shop*
- *Use a log burner when working from home instead of putting the heating on*
- *Walk whenever possible rather than using the car*
- *Check out the charity shops for bargains such as books, games & toys for kids*

### Andrea, Bev & Steph

- *Make your own meals such as Indian food or pizza on a weekend rather than getting a takeaway or eating out*

### Sarah

- *Look at cancelling magazine subscriptions*
- *Buy cosmetics online at a much cheaper price*

### Jo

- *Review gas, electric, broadband, telephone and insurance providers every year*
- *Make a list before you food shop and stick to it!*
- *Don't food shop when you are hungry!*

### Adam

- *Car share*
- *Leave more time for car journeys so that you can drive at an appropriate speed and reduce your fuel consumption*

### Bev

- *Look at bank accounts that give you free extras such as travel insurance and breakdown cover*
- *Stock up on products when they are buy one get one free or half price*
- *Freeze fruit just as it's on the turn and then make your own smoothies & juices*
- *Pre book train tickets a few weeks in advance to make savings on your train fare*

### Steph

- *Use cashback sites*

As a result of our 'NI Rise Challenge' the Pensions Section staff have found some savings which can be made now, to make sure we can continue paying into the LGPS so we can enjoy a better retirement and can potentially retire earlier than the State Pension age.