

WEST MIDLANDS



PENSION FUND

West Midlands Pension Fund

All about your Scheme



The Local Government
Pension Scheme (LGPS)



December 2008



Contents

Introduction 4

About the LGPS

LGPS responsibilities

Your Pensions Choice 8

Joining the LGPS

Contributions

Forms to fill in

Transferring Pension Rights Into the LGPS 20

If you have previous LGPS pension rights

If you have pension rights in a non-LGPS arrangement

I have a personal or stakeholder pension plan. Can I continue paying into it?

I have paid AVCs. Can I transfer them into the LGPS?

How do I transfer?

I've lost touch with my previous pension provider. Who can help?

Leave of Absence and the LGPS 24

What happens if I am on sick leave?

What happens if I am on maternity, adoption or paternity leave?

What happens if I am granted unpaid leave of absence?

What happens if I am on jury service?

What happens if I am on strike?

What happens if I am on reserve forces leave?

How long have I got to decide to pay back contributions?

What if I am paying extra?

Increasing Your Benefits 28

Are there any limits on how much I can pay to increase my pension benefits?

Can I increase my dependant's benefits?

Leaving Your Job Before Retirement 38

What will happen to my benefits if I choose to defer them?

How are deferred benefits worked out?

What if I paid extra?

When are deferred benefits paid?

How do deferred benefits keep their value?

Do the tax rules on savings cover deferred benefits?

What will happen if I die before receiving my deferred benefits?

What will happen if I wish to transfer my LGPS benefits to another (non-LGPS) scheme?

What happens if I change jobs but remain in the LGPS?

What happens if my job is transferred to a private contractor?

Life Cover – Protection For Your Family **52**

What benefits will be paid if I die in service?

What benefits will be paid if I die after retiring on pension?

Who is the lump-sum death grant paid to?

What are the conditions for a nominated cohabiting partner's survivor's pension?

Your LGPS Retirement Benefits **59**

Membership

Final pay

How are my retirement benefits worked out?

What options do I have on retirement?

What if I am paying extra?

State retirement benefits

When you can retire and draw your benefits

Early retirement at your request

Early retirement through redundancy or business efficiency

Ill-health retirement

Retiring after age 65

Flexible retirement

Pensions and Divorce or Dissolution of a Civil Partnership **72**

What happens to my benefits if I get divorced or my civil partnership is dissolved?

What is the process to be followed?

What if I remarry or enter into a new civil partnership?

Tax Controls and Your LGPS Benefits **77**

Are there any limits on how much I can pay in contributions?

Help With Pension Problems **83**

Who can help me if I have a query or complaint?

How can I trace my pension rights?

Some Terms We Use **86**

Introduction



About this booklet

The information in this booklet is based on the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2008 and the Local Government Pension Scheme (Administration) Regulations 2008 (effective from 1 April 2008) and other relevant legislation. It applies to individuals who were contributing members of the Local Government Pension Scheme (LGPS) on 1 April 2008 or who have since joined.

The booklet was up-to-date at the time of publication in December 2008.

This booklet is for general use and cannot cover every personal circumstance, nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this booklet does not confer any contractual or statutory rights and is provided for information purposes only.

This booklet explains the benefits available to you when you join the Local Government Pension Scheme (LGPS). It describes how the Scheme works, what it costs to join and the financial protection that it offers to you and your family.

The national website for members of the LGPS can be found at www.lgps.org.uk

About the LGPS

Local Government Pension Scheme (LGPS)

The LGPS is a statutory, funded pension scheme. As such, it is very secure because its benefits are defined and set out in law.

Who runs the LGPS?

The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme for people working in local government or working for other types of employer participating in the Scheme. The LGPS is administered locally through regional pension funds.



LGPS rules

The Scheme regulations are made under the Superannuation Act 1972. Changes to the rules are discussed at national level by employee and employer representatives, but can only be amended with the approval of Parliament. Your administering authority must keep you informed of any changes that are made.

The Scheme is a registered public service scheme under Chapter 2 of Part 4 of the Finance Act 2004. It achieved automatic registration by virtue of Part 1 of Schedule 36 of that Act (because the Scheme was, immediately before 6 April 2006, both a retirement benefits scheme approved under Chapter I of Part XIV of the Income and Corporation taxes Act 1988 and a relevant statutory scheme under section 611A of that Act). This means, for example, that you receive tax relief on your contributions. It complies with the



relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004.

LGPS responsibilities

Information

Your administering authority (Wolverhampton City Council) is required to:

- issue annual benefit statements to Scheme members (other than to pensioners).
- have a statement setting out their policy on communicating with Scheme members, members' representatives, prospective members and employers.

You are entitled to obtain a copy of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2008 (Statutory Instrument Number 2007 No.1166) and the Local Government Pension Scheme (Administration) Regulations 2008 (Statutory Instrument Number 2008 No.239) and subsequent amendments. The Regulations are available from The Stationery Office. A current version, including all amendments, is available on the Local Government Employers' website at <http://timeline.lge.gov.uk/>

A copy of the regulations may be inspected at the Fund's offices. In addition, you are entitled to view, and take copies of, the Fund's Annual Report and Accounts.

To maintain the security of any information about you, your administering authority is registered under the current Data Protection Acts. You can check that your computerised personal record is accurate, although a small fee may be charged.



Decisions

The regulations give specific responsibilities to Scheme employers and pension fund administrators, each of whom must make decisions in relation to some matters and can exercise their discretion in relation to others.



Many pension fund administrators set up a pension committee to oversee their pension scheme responsibilities, which then acts in a similar role to trustees of other pension schemes.

You can find more information from:

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

Funding

As a Scheme member, you will pay contributions to the LGPS. Your employer pays in the balance

of the cost of providing your benefits after taking into account investment returns. Every three years, an independent actuary calculates how much your employer should contribute to the Scheme. The amount will vary, but generally the present underlying assumption is that employees contribute approximately one third of the Scheme's costs and the employer contributes the rest. However, increases or decreases in the cost of providing the scheme may, in future, need to be shared between members and employers, in accordance with Government guidance.

Your Pensions Choice

In this section, we look at your pensions choice, who can join the Local Government Pension Scheme (LGPS) and the cost of joining.



Your retirement is a goal to look forward to. However, if your retirement is to meet your expectations, you need to plan for your income in retirement.

Your retirement income and benefits, over and above the basic flat-rate state pension, will in general be provided by the state second pension (S2P), a personal pension plan, a stakeholder pension scheme or the LGPS. These are described briefly as follows:

Highlights of the LGPS are:

A secure pension – the benefits you get when you retire are based on your membership in the Scheme and, normally, on your final year's pay. The pension you build up during your employment keeps pace with your pay rises. And after you retire, your pension keeps pace with inflation increases.

Tax-free cash – you also have the option to exchange part of your pension for some tax-free cash on your retirement.

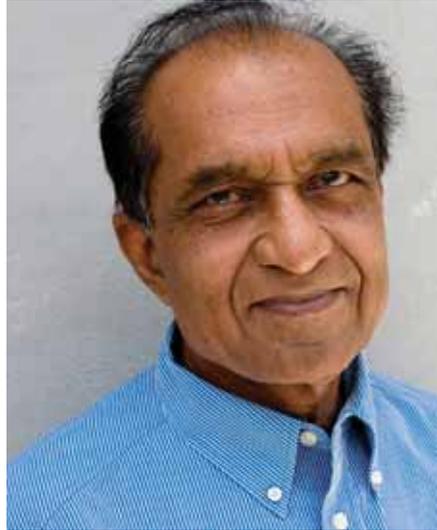


Peace of mind – your family enjoys financial security, with immediate life cover and a pension for your husband, wife, civil partner or nominated cohabiting partner and eligible children, in the event of your death and, if you ever become seriously ill, you could receive immediate ill-health benefits.

Early retirement – you can choose to retire from age 60 and receive your benefits immediately, although they may be reduced for early payment. It's also possible to retire from age 55 and receive your benefits immediately, either with your employer's consent or if you are made redundant or retired in the interests of efficiency.

Flexible retirement – if you reduce your hours or move to a less senior position at or after age 55 you can, provided your employer agrees, draw some or all of the benefits you have built up – helping you ease into retirement – although your benefits may be reduced for early payment.

Options to pay extra – you can boost your pension by paying more contributions. You get tax relief on these, too.



Also, as a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your pay and, up to state pension age, you will also pay lower national insurance contributions on earnings between the lower and upper earnings limits, unless you have opted to pay the married woman's/widow's reduced rate of national insurance. The LGPS is contracted-out of the state second pension (S2P).

State second pension (S2P)

The S2P is part of the state pension payable in addition to the flat rate old age pension. Benefits are paid by the Department for Work and Pensions (the old DSS) and cannot be paid before state pension age. Initially, S2P will be an earnings-related pension, but from April 2009 it begins building up as a flat-rate pension, achieving full flat-rate accrual by around 2030.

Personal pension plans and stakeholder pension schemes

Various institutions, such as banks, building societies and life assurance companies provide and administer personal pensions and stakeholder pension schemes. Your chosen organisation would invest your contributions and when you retire the investments are cashed in and the sum of money released is used to buy retirement benefits from the insurance market. Your benefits are therefore based on investment returns and are not guaranteed or linked to your earnings. The age from which you may receive them will vary according to the plan, but you may not be able to receive that part which replaces S2P before state pension age.

Joining the LGPS

Who can join?

The LGPS is offered by local government employers and by other organisations that have chosen to participate in it.

If you are eligible for membership of the LGPS, you will automatically become a member, unless you are employed by an admission body in which case you would have to opt to join. You have the right to decide not to join the Scheme.

To be able to join the LGPS, you need to have a contract of employment that's for at least three months, be under age 75 and work for an employer that offers membership of the Scheme. If you are employed by a designating body, such as a town or parish council, or by a non-local government organisation which participates in the LGPS (an admission body), you can only join if your employer nominates you for membership of the Scheme.

Teachers, police officers, operational firefighters and, normally, employees eligible to join another statutory pension scheme (such as the NHS Pension Scheme) are not allowed to join the LGPS.

Can I join the LGPS if I already have a personal pension or stakeholder pension scheme?

If you currently contribute to a personal pension plan or stakeholder pension scheme and decide to join the LGPS, you can, if you wish, still continue to make your own contributions to the personal pension or stakeholder pension scheme or you can stop paying into it and consider transferring it into the LGPS.

You can, if you wish, pay up to 100% of your total taxable earnings in any one tax year (or £3,600 if greater) into any number of concurrent pension arrangements of your choice and be eligible for tax relief on those contributions.

Under HM Revenue and Customs (HMRC) rules there are controls on the pension savings you can have before you become subject to a tax charge (these will mainly affect some higher paid people). To find out about these controls, see the section on *'Tax Controls and Your LGPS Benefits'* on page 77.

What happens if I have a contract for less than three months which is subsequently extended?

If you have a contract of employment for less than three months which is subsequently extended so that the total period is for three months or more, you will (provided you are otherwise eligible to join the Scheme) automatically be entered into the Scheme upon the extension of the contract, unless you are employed by an admission body, in which case you would have the right to opt to join. Also, unless you are employed by a designating body or by an admission body, you will have the right to backdate your membership to your first day of employment by paying the relevant contributions.



Contributions

What do I pay?

Your contribution rate depends on how much you're paid, but it will be between 5.5 and 7.5% of your pay. The rate you pay depends on which pay band you fall into. Your employer decides which pay band you fall into. Here are the pay bands that apply from April 2008.



Standard pay band table

If your whole-time pay rate is:	You pay a contribution rate of:
Up to £12,600	5.5%
£12,001 to £14,700	5.8%
£14,701 to £18,900	5.9%
£18,901 to £31,500	6.5%
£31,501 to £42,000	6.8%
£42,001 to £78,700	7.2%
More than £78,700	7.5%

For example, someone who works full-time at a pay rate of £16,000 would pay a contribution rate of 5.9%

The pay band ranges will be increased each April in line with inflation.

If you work part-time hours, your contribution rate is based on the whole-time pay rate for your job, although you will only pay contributions on the pay you

actually earn. For example, someone who works half-time with an actual pay of £10,000 a year will pay a contribution rate of 6.5%, as their whole-time pay rate is £20,000.

If you work term-time weeks (e.g. in a school), your contribution rate is based on the whole-time pay rate for term-time working, although you will only pay contributions on the pay you actually earn. For example, someone who works full-time hours for 44

weeks a year, with an actual pay of £15,000 will pay 5.9%. If they were to work half-time for 44 weeks with an actual pay of £7,500, then they would still pay 5.9%, as their whole-time rate for term-time working would still be £15,000.

You pay contributions on your normal salary or wages plus any shift allowance, bonuses, contractual overtime, maternity pay, paternity pay, adoption pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

If you have no contractual hours of employment, contributions are deducted on all your pay up to the full-time hours for your job.

You should check your payslip to make sure that pension contributions are being deducted.

Your contributions are very secure. As the LGPS is set up by statute, payment of benefits to Scheme members is guaranteed by law.

Do I receive tax relief on my contributions?

The LGPS is fully approved by HMRC, which means that you receive tax relief on your contributions. To achieve this, your contributions are deducted from your salary before you pay tax. So, for example, if you pay tax at the rate of 20%, every £1 that you contribute to the Scheme only costs you 80p net.





What about my national insurance contributions?

As the LGPS is contracted out of the S2P, you will, up to state pension age, pay reduced national insurance contributions on your earnings between the lower and upper earnings limits, unless you have opted to pay the married woman's/widow's reduced rate of national insurance.

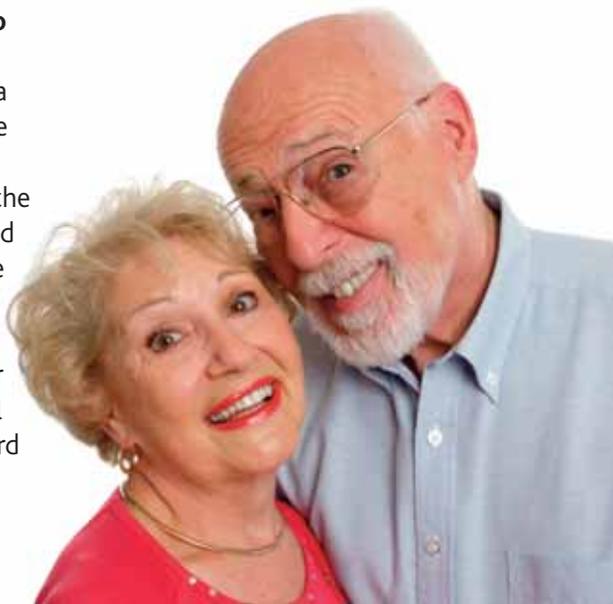
Am I protected if I had a right to pay 5% before 1 April 1998?

If you have continued working in a manual or craft job with a Scheme employer since 31 March 1998 or earlier, and you were paying into the LGPS on 31 March 2008, you could have a protected contribution rate (as shown in the table below). But if you change to a job which isn't manual or craft, or leave your employer, you will pay the normal contribution rate from the standard

pay band table based on your whole-time pay rate (unless you rejoin the same employer in a manual or craft role within one month and one day).

Protected contribution rates

From:	You pay a contribution rate of:
1 April 2008	5.25%
1 April 2009	5.5%
1 April 2010	6.5% or, if lower, the relevant rate from the standard pay band table
1 April 2011	the relevant rate from the standard pay band table



Can I make extra contributions to increase my benefits?

You can increase your benefits by paying additional contributions to buy extra LGPS pension, by making payments to the Scheme's additional voluntary contributions (AVC) arrangement, or by paying contributions into a personal pension, stakeholder pension or freestanding AVC scheme of your own choice. These options are explained in more detail in the section on *'Increasing your Benefits'* on page 28.

Is there a limit to how much I can contribute?

At the present time, there is no overall limit on the amount of contributions you can pay (although there is a limit on the extra LGPS pension you can buy and on the amount you can pay into the Scheme's AVC arrangement). However, tax relief will only be given on contributions up to 100% of your taxable earnings. Additionally, under HMRC rules, there are controls on the pension savings you can have before you become subject to a tax charge (these will mainly affect some higher paid people). To find out about these controls, see the section on *'Tax Controls and Your LGPS Benefits'* on page 77.



I'm already paying into the LGPS in my other job – can I also join in this job?

If you are already paying into the LGPS and you get another job as well where your employer offers you membership of the Scheme, you can be a member of the LGPS in both positions, provided you are eligible to join (see *'Who can join?'* on page 10). You will build up two separate sets of pension rights and receive two separate retirement packages.

If you leave one of the jobs before leaving the other, you will have the choice of joining the two sets of pension rights together. Details will be provided by the Fund at the time.

Pension rights built up as a councillor or mayor cannot be joined with rights built up as an employee and vice versa.

What about my other non-LGPS pensions?

If you have paid into another non-LGPS pension arrangement, you may be able to transfer your previous pension rights into the LGPS (provided you are not already drawing them as a pension). You only have 12 months from joining the LGPS to opt to transfer your previous pension rights, unless your employer allows you longer. This is an employer discretion; you can ask your employer what their policy is on this matter.

The Fund can advise you of their process for transferring previous pension rights into the LGPS.

Transferring your pension rights is not always an easy decision to make, and you may wish to seek the help of an independent financial adviser. For more information, see the section on '*Transferring Pension Rights Into the LGPS*' on page 20.

What if I've been a member before and can now rejoin the LGPS?

If you rejoin the LGPS, you can normally transfer your previous LGPS pension rights to your new membership, enabling you to enjoy benefits based upon your entire membership and linked to your final pay in your new job.

They will not be transferred automatically. You only have 12 months from rejoining the LGPS to opt to transfer your previous LGPS pension rights, unless your employer allows you longer. This is an employer discretion; you can ask your employer what their policy is on this matter. But if you have previously chosen to keep earlier LGPS pension rights which you built up in England and Wales separate, you will not normally be able to transfer them to your new job.

Transfers from the LGPS in Scotland or Northern Ireland may not buy day-for-day membership.

If your new job is less well paid, you will need to decide whether it may be better not to join the benefits together.

If you wish to transfer your previous LGPS pension rights, you should contact the Fund as soon as possible to find out about this and about the matters you will need to consider in making your decision.

Pension rights built up as a councillor or mayor cannot be joined with rights built up as an employee and vice versa.



What if I change my mind – can I opt out of the LGPS?

If you join, then decide the LGPS is not for you, you're free to opt out from your next available pay period. You might, however, want to take independent financial advice before opting out.

If you opt out of the LGPS, you will have the same options as anyone leaving their job before retirement, except you cannot draw deferred benefits or, normally, transfer any pre-6 April 1988 benefits to another pension scheme unless you have left your job. You can find details of these options in the section '*Leaving Your Job Before Retirement*' on page 38.

I'm already receiving an LGPS pension – will it be affected if I join again?

If you are re-employed in local government or by an employer who offers membership of the LGPS, you must tell the LGPS fund that pays your pension about your new position, regardless of whether you join the scheme in your new position or not. They will then check to see whether the pension they are paying should be reduced.

Forms to fill in

form A1
application form to join the local government pension scheme (LGPS)

WEST MIDLANDS PENSION FUND

Your employer will usually start to deduct pension contributions from your pensionable pay automatically following your election to join it. It is important that you complete this form to tell the fund administrators the relevant information with regards to becoming a member of the LGPS. You should have received an information booklet and/or leaflet about the Scheme. If you have not received it or would like another, please contact us immediately.

For further information contact our Helpdesk on 0300 111 1665, email us at PensionFundEnquiries@wolverhampton.gov.uk or visit our website at wmpfonline.com

Remember to tell us if you change your address, as this is used to send you your annual benefit statement and other important information.

YOUR PERSONAL DETAILS Please complete this form in black ink

Surname: _____ Home address: _____
 First names: _____ Post code: _____
 Postcode (NINO): _____ Tel. no. Home: _____
 Title: Mr His Miss Other Work: _____
 Please specify 'Other': _____ Mobile: _____
 Gender: Male Female Email: _____
 Occupational no. (if known): _____ Date of birth: _____
 Marital status: Single Married Divorced Occupation: _____
 Widowed Civil partnership
 NI number: _____ Do you currently have any other form of local government employment? Yes No
 Name of employer: _____ If so please give details: _____

PLEASE CHOOSE OPTION 1 OR 2 BELOW AND RETURN TO YOUR EMPLOYER'S PENSION OFFICER.

OPTION 1 **YES I wish to be a Local Government Pension Scheme (LGPS) member.**

OPTION 2 **NO I do not want to be a member of the Local Government Pension Scheme (LGPS).**

I understand that this important decision will mean that neither my dependants nor I will be entitled to any benefits relative to my period of non-membership. I further understand that my employer or Wolverhampton City Council (as Scheme administrators) cannot accept any liability whatsoever arising from this personal decision.

PLEASE RETURN THIS FORM TO YOUR EMPLOYER

PD

nomination form

WEST MIDLANDS PENSION FUND

IMPORTANT - THIS FORM IS NOT A WILL. Although the Scheme administrators would want to comply with your wishes, they have absolute discretion in deciding whether, or to whom, any payment is to be directed.

PAYMENT OF DEATH BENEFITS
 In the event of your death, you may complete this form in order to nominate a dependent or beneficiary who you would like to benefit from any lump-sum payment under the Scheme regulations at a time of your death. Please complete this form only if you wish to nominate a beneficiary to whom any payments due may be directed following your death. The purpose of making a nomination is to avoid Wolverhampton City Council (the Scheme administrators) in deciding to whom any payments may be made. Although the nominated beneficiary would normally be your next of kin, you may nominate any person or organisation of your choice and such requests would be considered by the Scheme administrators. The main advantage of making a nomination is that the payment could be made direct to your chosen beneficiary without having part of your estate (i.e. the payment does not count for IHT Revenue and Customs' purposes). You can amend your nomination at any time by completing another nomination form.

TO THE SCHEME ADMINISTRATORS
 In the event of my death it is my wish that any lump-sum death benefits available under the appropriate Local Government Pension Scheme regulations may be paid to the following (please tick **BOTH CATEGORIES**):

Full name: _____ Address: _____ Relationship or dependency: _____ Percentage of benefits (i.e. full, half, one etc): _____	Full name: _____ Address: _____ Relationship or dependency: _____ Percentage of benefits (i.e. full, half, one etc): _____
Full name: _____ Address: _____ Relationship or dependency: _____ Percentage of benefits (i.e. full, half, one etc): _____	Full name: _____ Address: _____ Relationship or dependency: _____ Percentage of benefits (i.e. full, half, one etc): _____

Signature: _____ Date: DD/MM/YYYY

PERSONAL DETAILS

Surname: _____ Membership number: 1 0
 First address: _____ Present: _____
 Address: _____ Employee's name: _____
 Employer: _____
 Department: _____

Post code: _____

Upon completion return to: West Midlands Pension Fund PO Box 3948, WOLVERHAMPTON, WV1 1LR.

Form A1 – application form to join the LGPS

To secure your entitlement to the Scheme benefits, even if you automatically become a member, it is important that you complete and return the joining form. On receipt of your form, relevant records will be set up and you will be sent an official notification of your membership of the Scheme.

You should check your payslip to make sure that pension contributions are being deducted.

Nomination form

If you die in service, a lump-sum death grant of three times your final year's pay is paid no matter how long you have been a member of the LGPS. For part-time employees, it is three times your actual part-time pay. Your administering authority has absolute discretion when deciding who to pay any death grant to. The LGPS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning a nomination form.

Transferring Pension Rights Into the LGPS

In this section, we look at transferring previous pension rights into the Local Government Pension Scheme (LGPS).

You may be able to transfer pension rights into the LGPS from:

- a previous LGPS Fund, or
- a previous employer's pension scheme, or
- a self-employed pension plan, or
- a 'buy-out' policy, or
- a personal pension plan, or
- a stakeholder pension scheme, or
- an additional voluntary contribution (AVC) arrangement including, in some cases, from an overseas pension scheme.

You cannot transfer a pension credit into the LGPS. A pension credit is a share of an ex-spouse's or ex-civil partner's pension benefits, as awarded by a court under a pension sharing order, or by a qualifying agreement in Scotland, following a divorce or a dissolution of a civil partnership.

If you have previous LGPS pension rights

If you rejoin the LGPS, you can normally transfer your previous LGPS pension rights to your new membership, enabling you to enjoy benefits based upon your entire membership and linked to your final pay in your new job.

They will not be transferred automatically. You only have 12 months from rejoining the LGPS to opt to transfer your previous LGPS pension rights, unless your employer allows you longer. This is an employer discretion; you can ask your employer what their policy is on this matter. However, if you have



previously chosen to keep earlier LGPS pension rights which you built up in England and Wales separate, you will not normally be able to transfer them to your new job.



Transferred membership from the LGPS in England or Wales will count on a day-for-day basis, but transferred membership from the LGPS in Scotland or Northern Ireland may not count on a day-for-day basis.

If your new job is less well paid, you will need to decide whether it may be better not to join the benefits together.

If you wish to transfer your previous LGPS pension rights, you should contact the Fund as soon as possible to find out about this and about the matters you will need to consider in making your decision.

Pension rights built up as a councillor or mayor cannot be joined with rights built up as an employee and vice versa.

If you have pension rights in a non-LGPS arrangement

If you have paid into a non-LGPS pension arrangement, you may be able to transfer your previous pension rights into the LGPS.

You have only 12 months from joining the LGPS to opt to transfer your previous pension rights, unless your employer allows you longer. This is an employer discretion; you can ask your employer what their policy is on this matter.

If you opt to transfer pension rights from a non-LGPS arrangement then a sum of money called a transfer value is offered to buy a membership credit in the LGPS. If you transfer your previous pension rights into the LGPS, your retirement benefits will be based on membership including the membership bought by the transfer and, normally, your final year's pay on leaving the LGPS.

Any request you make to investigate a transfer will not be binding until you have been supplied with full details and, subsequently, confirm that you wish the transfer to go ahead. Transfer quotations provided

by a former pension provider are guaranteed for three months.

Carefully consider whether to transfer or not, as a transfer may not always be advantageous. Compare the quotation of LGPS membership and the value of LGPS benefits attached to that membership against the value of the package of benefits if left with your previous pension scheme provider. Transfers from public sector schemes usually give broadly equivalent benefits in the LGPS, provided you apply for the transfer within 12 months of joining the LGPS.

Transferring your pension rights is not always an easy decision to make, and you may wish to seek the help of an independent financial adviser.

Your administering authority may decline to accept a transfer from a non-LGPS arrangement (other than from another public sector 'club' scheme).

I have a personal or stakeholder pension plan. Can I continue paying into it?

If you have a personal or stakeholder pension plan, you can continue to pay into it at the same time as paying into the LGPS or, alternatively, you can stop paying into it and consider transferring it into the LGPS.

You can, if you wish, pay up to 100% of your total taxable earnings in any one tax year (or £3,600 if greater) into any number of concurrent pension arrangements of your choice and be eligible for tax relief on those contributions. Under HMRC rules, there are controls on the pension savings you can have before you become subject to a tax charge (these will mainly affect some higher paid people). To find out about these controls, see the section on 'Tax Controls and Your LGPS Benefits' on page 77.



I have paid AVCs. Can I transfer them into the LGPS?

If you have paid AVCs to a scheme (other than to the LGPS in England or Wales) or you have paid freestanding AVC (FSAVCs) you can, if you wish, transfer them into the LGPS to buy extra LGPS membership.

You have only 12 months from joining the LGPS to opt to transfer your previous AVC rights to buy extra LGPS membership, unless your employer allows you longer. This is an employer discretion; you can ask your employer what their policy is on this matter.

If you have paid AVCs to the LGPS in England or Wales, these can be transferred to the AVC arrangement offered by your new administering authority.

How do I transfer?

The Fund can advise you of their process for transferring previous pension rights into the LGPS.

Remember, you have only 12 months from joining the LGPS to opt to transfer your previous pension rights, unless your employer allows you longer.



I've lost touch with my previous pension provider. Who can help?

It's easy to lose touch with your former pension schemes but, if you have, don't worry. The Pension Tracing Service can help – it holds details of almost 200,000 UK pension schemes and provides a tracing service free of charge. You can contact them at:

The Pension Tracing Service

The Pension Service
Tyneview Park, Whitley Road
Newcastle upon Tyne,
NE98 1BA
Tel: 0845 600 2537

Also, don't forget to keep your pension providers up to date with any change in your home address.

Leave of Absence and the LGPS

In this section, you can find out about how your membership in the LGPS could be affected and your benefits reduced if you are off work for any reason.

There are many reasons for absence and each has a different effect on your LGPS membership.

What happens if I am on sick leave?

During a period of sick leave your LGPS benefits will continue to build up as if you were working normally and receiving full pay. You will continue to pay basic LGPS contributions on any pay you receive while you are off sick (before any reduction on account of statutory sick pay or incapacity benefit). If you are on unpaid sick leave, you will not pay any contributions.

If you have entered into a contract to buy extra pension (additional regular contributions) or additional LGPS membership (added years), you will continue to pay those extra contributions while you remain on full pay. You will not be required to pay those extra contributions during a period on reduced or no pay.

If you are paying additional voluntary contributions (AVCs) you will continue to pay the AVCs on any pay received.

If you are paying AVCs for life assurance cover, you should arrange for these to continue during any period of unpaid leave otherwise the life assurance cover may cease.

What happens if I am on maternity, adoption or paternity leave?

During any period of:

-
- paid maternity leave (including any period when only statutory maternity pay is paid)
-
- paid adoption leave (including any period when only statutory adoption pay is paid)
-
- any unpaid maternity or adoption leave during the 26 week ordinary maternity leave/ordinary adoption leave period, and
-
- statutory paternity leave
-



your LGPS benefits will continue to build up as if you were working normally on full pay. You must continue to pay pension contributions on the actual pay, if any, you are receiving.

However, any period of unpaid maternity or adoption leave beyond the 26 week ordinary maternity leave/ordinary adoption leave period will not count for pension purposes unless you have a right to return to work, in which case you can choose to pay back pension contributions for the unpaid period to make it count. The cost of paying back is

based on the last rate of pay you received ignoring any increase in pay due to working a 'Keep in Touch' day.

What happens if I am granted unpaid leave of absence?

If you are granted unpaid leave of absence or leave on reduced pay (including parental leave):

For the first 30 days

Full LGPS membership continues to build up during this period, but you must pay the pension contributions that would have been paid had you been at work.

After 30 days

This period will not count as membership unless you pay for it to do so. You can elect to pay contributions for the whole period of your absence, up to a maximum of three years, and maintain your full pension benefits.

For the period to count towards your membership, you must pay the contributions that you would have paid if you had been at work.



What happens if I am on jury service?

If you are called for jury service, you will continue to have full LGPS membership during jury service, but you must pay pension contributions based upon your normal pay.

What happens if I am on strike?

Absence from work for one or more whole days because of strike does not count as membership in the LGPS. You can elect to buy back the membership lost at a rate of 16% of the pay you would have received if you had been at work.

What happens if I am on reserve forces leave?

Full membership of the LGPS continues to build up throughout reserve forces leave of absence and you will continue to pay pension contributions on your reserve forces pay if it equals or exceeds your normal pay.

If your reserve service pay is less than your normal pay, you will not have to make contributions and your benefits will not be affected.

How long have I got to decide to pay back contributions?

An election to pay back contributions after maternity, paternity or adoption leave, authorised leave of absence or strike absence must be made to your employer, in writing, within 30 days of your return to

work, or within 30 days of leaving if you do not return or such longer period as your employer may allow. This is an employer discretion; you can ask your employer what their policy is on this matter.

What if I am paying extra?

If you have entered into a contract to buy extra pension (additional regular contributions) or additional LGPS membership (added years) and you are absent from work due to:

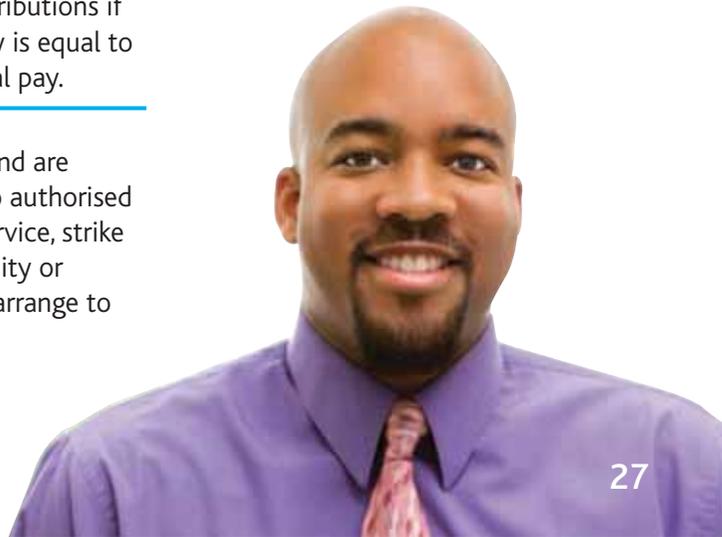
- authorised leave of absence, jury service, strike action, maternity, paternity or adoption leave, you must continue to make the extra pension payments and/or payments to buy additional membership you had contracted to pay as if you were not on leave.
- reserve forces leave, you continue to build up extra pension/ membership but you will only have to pay your extra contributions if your reserve forces pay is equal to or exceeds your normal pay.

If you are paying AVCs and are absent from work due to authorised leave of absence, jury service, strike action, maternity, paternity or adoption leave you can arrange to

continue to make your AVC payments throughout your leave.

If you are paying AVCs for extra life cover you should arrange to continue with these payments throughout your leave or cover may cease.

If you are on reserve forces leave, your AVC payments will continue unless you choose to discontinue them.



Increasing Your Benefits

In this section, we explain how, as a member of the LGPS, you can pay extra to increase your pension benefits.

Most of us look forward to a happy and comfortable retirement and in order to have that little bit extra during your retirement years you may wish to consider paying extra contributions, which are a tax-efficient way of topping up your income when you retire.

There are a number of ways you can provide extra benefits, on top of the benefits you are already looking forward to as a member of the LGPS. You can improve your retirement benefits by paying:

- Additional regular contributions (ARCs) to buy extra LGPS pension
- Additional voluntary contributions (AVCs) to the in-house AVC scheme
- Freestanding additional voluntary contributions (FSAVCs) to a scheme of your choice
- Contributions into a stakeholder or personal pension plan

You can combine any of these options.

Are there any limits on how much I can pay to increase my pension benefits?

At the present time, there is no overall limit on the amount of contributions you can pay (although there is a limit on the extra Scheme pension you can buy and on the amount you can pay into the Scheme's AVC arrangement). However, tax relief will only be given on contributions up to 100% of your taxable earnings.

Additionally, under HMRC tax rules, there are controls on the pension savings you can have before you become subject to a tax charge – these will mainly affect some higher paid people. These are explained in more detail below.

As your normal LGPS contributions are between 5.5% and 7.5% of your pay, this leaves a significant proportion of your taxable earnings that you can invest in ARCs or AVCs.



Can I increase my dependant's benefits?

You can pay extra contributions to increase the level of your husband's, wife's, civil partner's or nominated cohabiting partner's pension and any pension payable to your eligible children on your death. You can also increase your death in service life cover as part of an AVC arrangement.

The options explained:

Paying additional regular contributions (ARCs) to buy extra LGPS pension

You can pay more in contributions to buy up to £5,000 of extra annual pension in blocks of £250. This is payable on top of your normal LGPS benefits.

You can buy extra pension for yourself and, if you wish, extra pension for your husband, wife, civil partner, nominated cohabiting

partner or eligible children on your death.

Additional contributions are taken from your pay, just like your basic contributions. Your LGPS and ARC contributions are deducted before your tax is worked out, so, if you pay tax, you receive tax relief (at your highest rate) automatically through the payroll. You qualify for full tax relief on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

You can start to buy extra pension at any time up to your 64th birthday. You decide how long you want to pay extra contributions for, although it must be for a number of whole years and payments must be completed by age 65.

The cost to you of buying extra pension is calculated in accordance with guidance issued by the Government Actuary's Department; this can be reviewed at any time. The extra pension you are buying will increase in line with inflation, both before and after you draw your pension.

You can choose to stop paying ARCs at any time by notifying the Fund and your employer in writing. You will be credited with the extra pension that you have paid for at the time of ceasing payment.

If you leave or retire before completing payments, your contributions will cease and you will be credited with the extra pension that you have paid for at the time of leaving. This will increase the value of your LGPS benefits. However, if you are retired due to permanent ill-health and you qualify for the type of ill-health pension where your benefits are based on enhanced membership, you will be credited with all the extra pension that you set out to buy, even if you have not completed full payment for it.

Your extra pension will be paid at the same time as your LGPS benefits.

If you choose to retire early and draw your benefits before age 65, or retire on redundancy or business efficiency grounds, the extra pension you have bought will be reduced for early payment.

If you draw your benefits on flexible retirement, you will be able to draw the extra pension you have paid for, although it will be reduced for early payment.

If you draw your pension after age 65, the amount of your extra pension will be increased to account for late payment.

On retirement, you can choose to exchange some of the extra pension you have bought for a cash lump-sum in the same way as your main LGPS pension. For more information on exchanging part of your pension for a lump-sum, see the section on *'Your LGPS Retirement Benefits'* on page 59.

If you die in service and you opted to pay for dependant's benefits when you took out your original ARC contract, then extra benefits will be payable to your husband, wife, civil partner, nominated cohabiting partner and to eligible children as if you had completed all payments. If you did not opt to pay for dependant's benefits when you took out your original contract, then no extra benefits will be payable.



If you die after leaving, but before retirement and your benefits are held in the LGPS for payment (deferred benefits), then a lump-sum of five times the extra annual pension you paid for will be payable. If you die on pension when under age 75, a lump-sum of ten times your extra annual pension minus any extra pension already paid to you may be payable. If you opted to pay for dependant's benefits when you took out your original ARC contract, then extra benefits will be payable to your husband, wife, civil partner, nominated cohabiting partner and to eligible children.

For more details and a quotation, contact the Fund. You may be required to undergo a medical examination at your own expense before being allowed to buy extra pension.

Paying additional voluntary contributions (AVC) into the in-house AVC scheme

All local government pension funds have an in-house AVC scheme where you can invest money, deducted directly from your pay, through an AVC provider (often an insurance company or building society).

If you choose to pay AVCs under the LGPS, the AVCs are invested separately in funds managed by the AVC provider. You have your own personal account that, over time, builds up with your contributions and the returns on your investment, and will be available when you retire to buy an additional pension of your choice. You can often choose which investment route you prefer.

You decide how much you can afford to pay. You can pay up to 50% of your taxable earnings into an in-house AVC in each job where you pay into the LGPS.

AVCs are deducted from your pay, just like your normal contributions. Your LGPS and AVC contributions are deducted before your tax is worked out, so, if you pay tax, you receive tax relief (at your highest rate) automatically through the payroll. You qualify for full tax relief on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

Deductions start from the next available pay day after your election has been accepted and you may vary or cease payment at any time while you are paying into the LGPS.

If you have previously paid in-house AVCs to the LGPS in England or Wales, these can be transferred to the AVC arrangement offered by your new fund administrator. If you have paid AVCs to a different scheme, you can transfer these to the LGPS to purchase extra membership but an election to do so must be made within 12 months of joining the LGPS, unless your employer allows you longer. This is an employer discretion; you can ask your employer what their policy is on this matter.

You can also pay in-house AVCs to provide extra life cover. Your membership of the LGPS already gives you cover of three times your pay if you die in service, but you can pay AVCs to increase this or to provide additional benefits for your dependants in the event of your death in service. This may be subject to satisfactory completion of a medical questionnaire. Any extra life cover paid for through AVCs will stop when you retire or leave.

Here are the different ways you may be able to use your in-house AVC fund on retirement:

- **Buy an annuity**

This is where an insurance company, bank or building society of your choice takes your AVC fund and pays you a pension in return.

You can do this at the same time as you draw your LGPS benefits or you can choose to delay payment until any time up to the eve of your 75th birthday. If you work after age 65, you cannot buy an annuity until you stop working and retire, or you reach the eve of your 75th birthday if this is earlier.

An annuity is paid completely separately from your LGPS benefits.

The amount of annuity depends on several factors, such as interest rates and your age. You also have some choice over the type of annuity, for example, whether you want a flat-rate pension or one that increases each year, and whether you also want to provide for dependants' benefits in the event of your death.

Annuities are subject to annuity rates which, in turn, are affected by interest rates. When interest rates rise, the organisation selling

annuities is able to obtain a greater income from each pound in your AVC fund, and therefore can provide a higher pension. A fall in interest rates reduces the pension which can be purchased.

- **Buy a top-up LGPS pension**

If you retire with immediate payment of your benefits, you may be able to use some or all of your AVC fund to buy a top-up pension from the LGPS. This automatically provides an inflation-proofed pension and dependants' benefits and is based on set factors which do not tend to change.

- **Take your AVCs as cash**

If you draw your AVCs at the same time as your LGPS pension, you may be able to take some or all of your AVCs as a tax-free lump-sum (provided, when added to your LGPS lump-sum, it does not exceed 25% of the overall value of your LGPS benefits – including your AVC fund – and the total lump-sum does not exceed £412,500 – 2008/2009 figure – less the value of any other pension rights you have in payment).

If you retire (other than on flexible retirement) and decide to draw your AVCs later, you can normally only have up to 25% of your AVC fund as a lump-sum.

- **Buy extra membership in the LGPS**

If your election to start paying AVCs was made before 13 November 2001, you may be able in certain circumstances, such as retirement on ill-health grounds or on ceasing payment of your AVCs before retirement, to convert your AVC fund into extra LGPS membership in order to increase your LGPS benefits. This membership counts as pre-1 April 2008 membership in the calculation of your benefits. To find out how benefits are calculated on pre-1 April 2008 membership, see our leaflet '*If You Joined the LGPS Before 1 April 2008*'.

If you leave before retirement, your contributions will cease when you leave. The value of your AVC fund will continue to be invested until it is paid out. Your AVC plan is similar to your main LGPS benefits: it can be transferred to another pension arrangement, drawn at the same time as your LGPS benefits or deferred until the eve of your 75th birthday at the latest.

Payments into in-house AVCs will stop when you leave or retire.

Paying freestanding additional voluntary contributions (FSAVCs)

This is similar to in-house AVCs, but it is not linked to the LGPS in any way. With FSAVCs, you choose a provider, usually an insurance company. You may want to consider their different charges, alternative investments and past performance when you do this.

You choose how much to pay into an FSAVC arrangement. You can pay up to 100% of your taxable earnings, less your normal pension contributions.

Your AVC fund should grow as it is invested and will be available later in your life to convert into an additional pension of your choice. You can often choose which investment route you prefer.

You can take up to 25% of the value of your FSAVC fund as a tax-free lump-sum (provided the lump-sum does not exceed £412,500 – 2008/2009 figure – less the value of any other pension rights you have in payment).

You can also pay FSAVCs to provide additional life cover. Your LGPS membership already gives you cover of three times your pay if you die in service, but you can increase this amount via an FSAVC or use the

FSAVC to provide additional dependants benefits on your death in service. This may be subject to satisfactory completion of a medical questionnaire.

Contribute to a concurrent personal pension plan or stakeholder pension scheme

You may be able to make your own arrangements to pay into a personal pension plan or stakeholder pension scheme at the same time as paying into the LGPS. With these arrangements, you choose a provider, usually an insurance company. You may want to consider their charges, alternative investments and past performance when you do this.

You choose how much to pay into the arrangement. You can pay up to 100% of your total taxable earnings in any one tax year (or £3,600 if greater) into any number of concurrent pension arrangements of your choice and be eligible for tax relief on those contributions. There are controls on the pension savings you can have before you become subject to a tax charge – these are explained in *'Do the tax rules on pension savings limit the extra I can pay?'* on page 36.

If you pay into a personal pension plan or stakeholder pension scheme, the contributions you make to it are invested in funds managed by an insurance company. You have your own personal account that, over time, builds up with your contributions and the returns on your investment, and will be available later in your life to convert into additional benefits. You can often choose which investment route you prefer.

When the benefits are paid, you will be able to take up to 25% of your Fund as a tax-free lump-sum (provided the lump-sum does not exceed £412,500 – 2008/ 2009 figure – less the value of any other pension rights you have in payment), with the remainder available to buy you an annuity from an insurance company, bank or building society (but you can defer purchasing an annuity until the day before your 75th birthday at the latest).

The amount of annuity depends on several factors, such as interest rates and your age. You also have some choice over the type of annuity, for example, whether you want annual increases, and whether you also want to provide for dependants' benefits.

Annuities are subject to annuity rates which are affected by interest rates. When interest rates rise, the organisation selling annuities is able to obtain a greater income from each pound in your AVC fund, and therefore can provide a higher pension. Conversely, a fall in interest rates reduces the pension which can be purchased.

I am already buying extra LGPS membership. Can I buy any extra benefits?

To buy extra LGPS years (added years) you must have opted to do so before 1 April 2008. If you're already paying extra contributions to buy extra years, you'll continue to pay for them and receive extra benefits on the same basis that you had agreed to buy them. For information on what happens if you are paying added years on leaving or retirement, see the sections '*Leaving Your Job Before Retirement*' on page 38 and '*Your LGPS Retirement Benefits*' on page 59.

Even if you are buying extra years, you can still pay additional contributions to buy extra LGPS pension (ARCs) and/or pay AVCs, if you wish.

Can my employer award me any extra pension benefits?

Your employer, at their discretion, can award you up to ten years' extra membership to improve your retirement benefits. They can also grant you up to £5,000 extra annual pension. Your employer can also pay into your in-house AVC scheme. This is known as a shared cost AVC arrangement.

These are discretions your employer can use if they so wish; you can ask your employer what their policy is on this.

What happens if I pay extra and I am absent from work?

If you have entered into a contract to buy extra pension (ARCs) or extra LGPS membership (added years) and you are absent from work due to:

- authorised leave of absence, jury service, strike action, maternity, paternity or adoption leave, you must continue to make the extra pension payments and/or payments to buy additional membership you had contracted to pay as if you were not on leave; or
- reserve forces leave, you continue to build up extra pension/membership but you will only

have to pay your extra contributions if your reserve forces pay is equal to or exceeds your normal pay.

If you are paying AVCs and are absent from work due to authorised leave of absence, jury service, strike action, maternity, paternity or adoption leave, you can arrange to continue to make your AVC payments throughout your leave.

If you are paying AVCs for extra life cover you should arrange to continue with these payments throughout your leave or cover may cease. If you are on reserve forces leave, your AVC payments will continue unless you choose to discontinue them.

Where necessary, your employer will contact you about making the relevant contributions.

Do the tax rules on pension savings limit the extra I can pay?

There are HMRC controls on the total amount of contributions you can make into all pension arrangements and receive tax relief and on all the pension savings you can have before you become subject to a tax charge. These controls are known as the lifetime allowance and the annual allowance.

You can, if you wish, pay up to 100% of your taxable earnings in any tax year (or £3,600 if greater) into any number of concurrent pension arrangements of your choice and receive tax relief on the contributions.

The lifetime allowance is the total capital value of all your pension arrangements which you can build up without paying extra tax. If the value of your benefits when you draw them (not including any state retirement pension, state pension credit or any spouse's, civil partner's or dependant's pension you may be entitled to) exceed your lifetime allowance, a tax charge will be made against the excess. The lifetime allowance for 2008/2009 is £1.65 million.

The annual allowance is the amount your pension savings can increase by in any one year (disregarding the year that that all your benefits from the Scheme become payable) without paying extra tax. The annual allowance for 2008/2009 is £235,000.

Most Scheme members' pension savings will be significantly less than the allowances.

There are protections for benefits earned up to 5 April 2006 in respect of those high earners affected by the introduction of the lifetime allowance from 6 April 2006. You can find out more about these from the section '*Tax Controls and Your LGPS Benefits*' on page 77.



Leaving Your Job Before Retirement

In this section, we look at what happens to your LGPS benefits on leaving your job before retirement if you pay into the LGPS on or after 1 April 2008.

As long as you have been a member of the LGPS for at least three months, or you have transferred other pension rights into the LGPS, or you already have a deferred benefit in the LGPS in England or Wales, you will have built up valuable LGPS benefits that form an important part of your savings for retirement. On leaving before retirement, you have two options:

- You can choose to keep your benefits in the LGPS. These are known as deferred benefits and will increase every year in line with inflation.
- Alternatively, you may be able to transfer your deferred benefits to a new pension arrangement.

If you have been a member of the LGPS for less than three months, have not transferred in any other pension rights and do not already have a deferred benefit in the LGPS in England or Wales, you do not qualify for deferred benefits. You have three options:

- You can claim a refund of your contributions, less any deductions for tax and the cost of buying you back into the state second pension (S2P). Interest is paid if the refund is not made within one year of leaving, but no refund can be made if you rejoin the scheme within a month and a day of leaving or rejoin before the refund has been paid.
- You may be able to transfer your benefits to a new pension arrangement.
- You can delay your decision until you either rejoin the LGPS, join a new pension scheme, or want to take a refund of contributions.





What will happen to my benefits if I choose to defer them?

Deferred benefits are where we work out the value of your benefits when you leave the LGPS and hold them in the LGPS for you until either you decide to transfer them to another pension scheme, or they are due to be paid.

Your personal deferred benefit package consists of an annual pension, payable throughout your retirement, with an option on retirement to exchange some pension for a one-off tax-free lump-sum. It also includes life cover and financial protection for your family.

How are deferred benefits worked out?

Deferred benefits are based on your membership and your final pay on leaving.

Your membership normally includes:

- How long you have been a member of the LGPS worked out in years and days, but excluding:
 - membership for which you already receive a LGPS pension or hold an LGPS deferred pension
 - membership from any concurrent job you may have, and
 - any LGPS membership in respect of which you have received a refund or have transferred the pension rights to another scheme.
-
- Membership purchased by a transfer from another scheme. Membership from a transfer in will count as pre-1 April 2008 membership if you were contributing to the LGPS on 31 March 2008, otherwise it will count as post-31 March 2008 membership.
-
- Any extra membership you have bought with additional contributions or by converting in-house AVCs into membership.
-

-
- Any extra membership awarded by your employer.
-

This could be different to your actual calendar length membership of the LGPS. For example:

If you work part-time, although the calendar length of your membership is used to decide if you are eligible for a benefit, your membership is reduced to its whole-time equivalent length to calculate the amount of your retirement benefits.

For example, if you work half-time for ten years, your benefits would be calculated on five years' membership.

If your hours have changed during your membership of the Scheme, your benefits will be calculated to reflect the changes. If you do not have any contractual hours, your membership for each year in the LGPS will be calculated on average weekly hours worked during each year.

If you have transferred membership from the LGPS in Scotland or Northern Ireland it may not count at its actual calendar length.

If you were in the LGPS before 1 April 2008, you should also see our leaflet *'If You Joined the LGPS Before*

1 April 2008' to find out about how membership counts.

Your final pay is usually the pay in respect of your final year (grossed up to a full year's pay if you did not receive pay for a full year) of Scheme membership on which you paid contributions, or one of the previous two years if this is higher, and includes your:

-
- normal pay
-
- contractual shift allowance
-
- bonus
-
- contractual overtime
-
- maternity pay, paternity pay, adoption pay, and
-
- any other taxable benefit specified in your contract as being pensionable.
-

This may not include all your pay. We don't include such things as car allowances (other than in some historical protected cases), casual overtime, travelling or subsistence allowances, pay in lieu of notice or pay in lieu of loss of holidays.

If you are working part-time when you leave the LGPS, or worked part-time at some point during your last year of membership, your final pay is the whole-time pay that you

would have received, if you had worked whole-time.

If your pay is reduced in this period because of sickness, your final pay will be the pay that you would have received if you had not been off sick.

If you have maternity, paternity or adoption leave in this period for which you paid (or are deemed to have paid) pension contributions, final pay includes the pay you would have received had you not been on maternity, paternity or adoption leave.

If you downgrade or move to a job with less responsibility with your employer in your last ten years, you have the option to have your final pay calculated as the average of any three consecutive years in the last ten years (ending on a 31 March).

If your pay was reduced or restricted for reasons beyond your control before 1 April 2008 and you were issued with a certificate of protection by your employer and you leave the LGPS within ten years of the reduction or restriction in your pay, then we will work out your final pay as the best year's pay in the last five years prior to leaving, or the best consecutive three year average in the last thirteen years after allowing for inflation.

Your deferred pension is worked out like this:

For membership you build up after 31 March 2008:

Your annual pension is calculated by dividing your total membership by 60 and multiplying this figure by your final pay.

When you draw your deferred benefits, you will be given the option to exchange some of your annual pension for a one off tax-free lump-sum. You receive £12 lump-sum for each £1 of annual pension given up. You can take up to 25% of the capital value of your pension benefits as a lump-sum (limited to £412,500 – 2008/2009 figure – less the value of any other pension rights you have in payment).

Here are examples of how your deferred pension is worked out for membership after 31 March 2008:

If you work full-time:

Let's look at someone leaving with ten years' full-time membership in the Scheme and a final year's pay of £18,000.

Their deferred annual pension is:
 $10 \text{ years} \times 1/60\text{th} \times \text{£}18,000$
= £3,000

If you work part-time:

The same calculation is used, but your membership is scaled down to the whole-time equivalent length based on your contractual hours, and your final pay is scaled up to the whole-time equivalent rate.

Let's look at someone leaving after 10 years working half-time i.e. 18¹/₂ hours a week in a job where the full-time hours would be 37 per week and with a part-time final pay of £9,000.

Membership to be used in calculating benefits is reduced like this:

$$10 \text{ years} \times 18^{1/2} \div 37 = 5 \text{ years}$$

And we would use a whole-time equivalent pay, so:

Their deferred annual pension is:
 $5 \text{ years} \times 1/60\text{th} \times \text{£}18,000$
= £1,500

They will have paid half the contributions and receive half the benefits of an equivalent whole-time person.

If you joined the LGPS before 1 April 2008, your benefits for membership before 1 April 2008 are calculated differently. For LGPS membership you have built up to 31 March 2008, your deferred benefits are an annual pension based on 1/80th of your final pay and an automatic tax-free lump-sum of three times your pension. Like the pension, the automatic lump-sum is based on your LGPS membership before 1 April 2008 and your final pay. You can also exchange part of your pre-April 2008 pension for extra lump-sum as described above. For more information and examples, see our leaflet '*If You Joined the LGPS Before 1 April 2008*'.

If your LGPS benefits are subject to a pension sharing order issued by the court following divorce or dissolution of a civil partnership, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the court order or agreement. For more information, see the section on '*Pensions and Divorce or Dissolution of a Civil Partnership*' on page 72.



What if I paid extra?

If you have been paying extra contributions and leave with deferred benefits, you will benefit from those extra contributions.

If you are buying extra LGPS pension (additional regular contributions)

Contributions to buy extra LGPS pension will cease when you leave the LGPS. You will be credited with the extra pension you have paid for at the time of leaving. This will increase the value of your deferred benefits and any transfer value paid to a new pension arrangement.

If you are buying extra years in the LGPS (added years)

If you are paying additional contributions to buy extra LGPS membership, they will cease when you leave the LGPS. You will be

credited with the extra period of membership that you have paid for at the time of leaving. This will increase the value of your deferred benefits and any transfer value paid to a new pension arrangement.

If you move to a new employer in the LGPS within 12 months of leaving, you can carry on paying the additional contributions provided you also pay them to cover the period between leaving and starting your new job and you join your pension rights together. Contact your new LGPS administrator within three months of rejoining to arrange this.

If you pay in-house additional voluntary contributions (AVCs)

If you are paying AVCs arranged through the LGPS (in-house AVCs), your contributions will cease when you leave. The value of your AVC fund will continue to be invested until it is paid out. Your AVC plan is similar to your main LGPS benefits: it can be transferred to another pension arrangement, be drawn at the same time as your LGPS benefits or be deferred until the eve of your 75th birthday at the latest.

As you cannot pay in-house AVCs after leaving, any extra life cover paid for through AVCs will cease.

When are deferred benefits paid?

Your deferred benefits are normally payable from age 65, although they can be paid earlier, or later. There are two ways they can be paid earlier.

Early payment of deferred benefits at your request

Firstly, you can request early payment of your deferred benefits from age 55, but you must have your former employer's permission for payment before age 60. You can ask your former employer what their policy on this is.

If you were paying into the LGPS on 31 March 2008, you may have a protected earlier retirement age when you can request early payment of your deferred benefits. Find out about this from our leaflet '*If You Joined the LGPS Before 1 April 2008*'.

If you choose to draw your deferred benefits before age 65, your benefits will be reduced to take account of their early payment and the fact that your pension will be paid for longer. How much your deferred benefits are reduced by depends on how early you draw them.

The reduction is calculated in accordance with guidance issued by the Government Actuary's Department from time to time. The reduction is based on the length of time (in years and days) that you retire early i.e. calculated as the period between the date your benefits are paid and age 65.

As a guide, the percentage reductions, issued in April 2008, for retirements up to five years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

No. of years paid early	Pensions reduction		Lump-sum reduction
	Men	Women	
0	0%	0%	0%
1	6%	5%	2%
2	11%	10%	5%
3	16%	15%	7%
4	20%	19%	9%
5	24%	23%	12%

If you were in the LGPS on 30 September 2006, some or all of your benefits paid early could be protected from the reduction if you are a protected member. You can find out more about this from our leaflet '*If You Joined the LGPS Before 1 April 2008*'.

Your former employer can agree to waive any reduction on compassionate grounds. You can ask them what their policy on this is.

Early payment of deferred benefits due to permanent ill- health

The second method of obtaining early payment of your deferred benefits is on the grounds of permanent ill health. You can apply for payment of your deferred benefits at any age, without reduction if, because of your health, you would be permanently incapable of the job you were working in when you left the LGPS and you are unlikely to be capable of gainful employment within three years of applying for the benefit, or before age 65 if sooner.

If you do not elect for early payment of deferred benefits, they will be paid from age 65 unless you opt to

delay payment beyond that age.

If you draw your deferred benefits after age 65, they will be paid at an increased rate. Deferred benefits must be paid before age 75.

However, if your pension is not in payment at age 60 (women) or 65 (men), the guaranteed minimum pension (GMP) element (if any) of your pension must be paid from that date or from the date you leave if later.

Keeping in touch

If you change address, please remember to let the Fund know so we can keep in touch with you – something that's especially important when you come to draw your deferred benefits.

Your employer can:

-
- reduce your pension benefits if you cease to be employed as a result of a criminal, negligent or fraudulent act, or omission.
-
- forfeit your pension rights if the Secretary of State for Communities and Local Government agrees and you have been convicted of a serious offence connected with your employment.
-

You are not allowed to:

- assign your benefits. Your LGPS benefits are strictly personal and cannot be assigned to anyone else or used as security for a loan.

How do deferred benefits keep their value?

Your deferred benefits increase every year in line with inflation while they are deferred. Your pension will continue to receive inflation increases every year once it is paid to you.

If your benefits are paid on or after age 55, or are paid before age 55 because of ill-health and you are permanently incapacitated from engaging in any regular full-time employment, your benefits will be increased each year in line with inflation. If your benefits are paid before age 55 for any other reason, your pension is normally paid at a flat rate until age 55. Your pension will then be increased from age 55 to the level it would have been, if it had been increased every year since your date of leaving.

Do the tax rules on savings cover deferred benefits?

There are HMRC controls on all your pension savings – not including any state retirement pension, state pension credit or any spouse's, civil partner's, nominated cohabiting partner's or dependant's pension you may be entitled to. The controls are referred to as the lifetime allowance and the annual allowance.

The lifetime allowance is the total capital value of all your pension arrangements which you can build up without paying extra tax. If the value of your benefits when you draw them exceeds your lifetime allowance, a tax charge will be made against the excess. The lifetime allowance for 2008/2009 is £1.65 million.

The annual allowance is the amount your pension savings can increase by in any one year without paying extra tax. Any increase in the value of your deferred benefits will be taken into account in assessing whether you exceed the annual allowance (other than the year in which they are paid). The annual allowance for 2008/2009 is £235,000.

Most Scheme members' pension savings will be significantly less than the allowances.

There are protections for benefits earned up to 5 April 2006 in respect of those high earners affected by the introduction of the lifetime allowance from 6 April 2006. You can find out more about these from the section on *'Tax Controls and Your LGPS Benefits'* on page 77.

The Fund will let you know the value of your LGPS benefits when they are paid and ask you about any other pensions you may have in payment, so they can work out whether or not to deduct a recovery tax charge.

What will happen if I die before receiving my deferred benefits?

If you leave with deferred benefits after 31 March 2008 and die before receiving them, the following benefits are payable:

A lump-sum death grant of five times your deferred annual pension. The Fund has absolute discretion when deciding who to pay any death grant to. The LGPS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning a nomination form. You can complete a nomination form or make a new one at any time. The form is available from the Fund. If any part of the death grant

has not been paid within two years, it must be paid to your personal representatives, i.e. to your estate.

A survivor's pension: a pension will be paid to your husband, wife, registered civil partner or, subject to certain qualifying conditions, your nominated cohabiting partner. This pension is payable immediately after your death for the rest of their life and will increase every year in line with inflation.

-
- **For your husband or wife:** the pension payable is equal to 1/160th of your final pay times the membership your deferred pension is based on, unless you marry after leaving, in which case it could be less. If you marry while your pension is deferred:
 - your husband's pension is based on your membership after 5 April 1988, (excluding, unless you were married to your husband at some time while you paid into the LGPS, additional membership purchased by you or granted to you by your employer or the Scheme),
 - your wife's pension is based on your contracted-out membership after 5 April 1978.
-

-
- For your civil partner or nominated cohabiting partner: the pension payable is equal to 1/160th of your final pay times your membership in the scheme after 5 April 1988.

If your membership in the LGPS includes a GMP, your wife's pension for that part of your membership prior to 6 April 1997 must not be less than half your GMP. Your husband or civil partner's pension for that part of your membership prior to 6 April 1997 must not be less than half your GMP built up after 5 April 1988.

Children's pensions: these are payable to eligible children and increase every year in line with inflation.

The amount of pension depends on the number of children you have:

-
- If a survivor's pension is being paid to your husband, wife, civil partner or nominated cohabiting partner, one child would receive 1/320th of your final pay times the membership your deferred pension is based on, while two or more children would receive 1/160th shared equally between them.

 - If there is no husband's, wife's, civil partner's or nominated cohabiting partner's pension being paid, one

child would receive 1/240th of your final pay times the membership your deferred pension is based on, while two or more children would receive 1/120th shared equally between them.

Eligible children are your children.

They must, at the date of your death:

-
- be under 18 and be wholly or mainly dependant on you, or

 - be aged 18 or over and under 23, be dependent on you, and be in full-time education or undertaking vocational training (although a dependant child who commences full-time education or vocational training after the date of your death may be treated as an eligible child up to age 23), or

 - in some cases, a dependent child of any age who is disabled may be classed as an eligible child.

In all cases, the children must have been born before or within a year of your death.

If you paid additional contributions to buy extra LGPS pension and you opted to pay for dependant's benefits when you took out your original contract, then extra benefits will be payable to your husband, wife, registered civil partner or

nominated cohabiting partner and to eligible children.

What will happen if I wish to transfer my LGPS benefits to another (non-LGPS) scheme?

If you are joining another pension arrangement, you may wish to consider transferring your LGPS benefits to it. This may even be to an overseas pension scheme or arrangement that meets HMRC conditions. You cannot transfer your benefits if you leave less than one year before age 65. An option to transfer must be made before age 64 or, if later, within six months of leaving.

Your new pension provider will require a transfer value quotation, which, under the provisions introduced by the Pensions Act 1995, the Fund will guarantee for a period of three months from the date of calculation, known as the 'guarantee date'. Your new pension provider can then advise you of the additional benefits the transfer will buy in their scheme. A written option to proceed with the guaranteed transfer value must be received within the three month guaranteed period. If you opt to proceed, the normal time limit for payment of the guaranteed transfer value will be six months from the

guarantee date. If payment is not made within this period, the Fund will need to recalculate the value as at the actual date of payment and pay the recalculated value or, if it is greater, the original value plus interest.

Transfer values are calculated in accordance with the terms and conditions of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) which comply with the requirements of the Pensions Schemes Act 1993.

If you are considering whether to transfer benefits, make sure you have full information about the two pension arrangements; details of what your benefits are worth in the LGPS and details of what your benefits would be worth in the new pension scheme, if transferred. When you compare your options, don't forget that your LGPS benefits are guaranteed inflation increases. Transfers to public sector schemes usually give benefits that are broadly equivalent to those in the LGPS, provided you apply for the transfer within 12 months of joining your new pension scheme.

Transferring your pension rights is not always an easy decision to make, and you may wish to seek the help of an independent financial

adviser before you make a decision to transfer your deferred benefits to a personal pension plan, stakeholder pension scheme, buy-out insurance policy or an employer's money purchase scheme, as you will be bearing all of the investment risk which could significantly affect your future pension benefits.

If a full transfer payment is made, you will not be entitled to any further benefits from the LGPS for yourself, your spouse, civil partner, for any cohabiting partner nominated by you, or any benefits for your dependants.

What happens if I change jobs but remain in the LGPS?

If you are changing your job, but still working in local government or for another employer who offers you membership of the LGPS, or if you rejoin the LGPS before your deferred benefits are paid, you can ask for your LGPS pension rights to be transferred to your new job (you cannot transfer membership built up as an employee to membership in the Scheme as a councillor or mayor, and vice versa).

They will not be transferred automatically. If you wish to transfer your pension rights you must elect to do so within 12 months of

rejoining the LGPS, unless your employer allows you longer. This is an employer discretion; you can ask your employer what their policy is on this matter.

If you choose to transfer them, you will have one set of benefits which will be based on your entire period of LGPS membership and your final pay in your new job.

Although transferred membership within the LGPS in England or Wales will normally count on a day for day basis, membership transferred to Scotland or Northern Ireland may count at a different length.

If your new job is less well paid, you will need to decide whether it may be better not to join the benefits together.

If you wish to transfer your LGPS pension rights you should contact us or your new LGPS administrator as soon as possible to find out about this and about the matters you will need to consider in making your decision.

If you have two or more jobs where you pay into the LGPS at the same time and you leave one (or more, but not all) of them, you can opt to transfer your benefits from the job (or jobs) you have left to the job you are continuing in. The amount of

membership you will be granted in the continuing job will be calculated as follows:

Membership
in the job
you have left

x

whole-time rate
of pay in the job
that has ceased

whole-time rate
of pay in the job
that is continuing

What happens if my job is transferred to a private contractor?

If your job is transferred to a private contractor, the contractor will

normally be required to provide a pension scheme that is broadly equivalent to the LGPS. This does not mean that the new scheme must mirror the benefits of the LGPS, but the value of the package offered by the new scheme must be broadly equivalent to the LGPS. You would have the same options available to anyone else leaving the LGPS before retirement. Alternatively, the contractor may be able to become an admission body in the LGPS. This would allow you to stay in the LGPS so long as you were working on the delivery of the contracted-out service.



Life Cover – Protection For Your Family

The LGPS provides valuable life cover and financial protection for your family. In this section, we look at how these benefits work if you pay into the LGPS on or after 1 April 2008.



What benefits will be paid if I die in service?

If you die in service as a member of the LGPS, the benefits shown below are payable.

A lump-sum death grant of three times your final year's pay is paid no matter how long you have been a member of the LGPS, provided you

are under age 75 at the date of death. For part-time employees, it is three times your actual part-time pay.

A survivor's pension: an ongoing pension is provided for your husband, wife, registered civil partner or, subject to certain qualifying conditions, your

nominated cohabiting partner. This pension is payable immediately after your death for the rest of their life and will increase every year in line with inflation.

- **For your husband or wife:** the pension payable is equal to 1/160th of your final pay times the membership you would have built up to age 65.
 - **For your civil partner or nominated cohabiting partner:** the pension payable is calculated in the same way, although only your membership from 6 April 1988 is used in the calculation.
-

To nominate a cohabiting partner your relationship has to meet certain conditions laid down by the LGPS. You can find information on these conditions and how to make a nomination in '*What are the conditions for a nominated cohabiting partner's survivor's pension?*' on page 56.

Children's pensions: these are payable to eligible children and increase every year in line with inflation.

The amount of pension depends on the number of eligible children you have:

-
- If a survivor's pension is being paid to your husband, wife, civil partner or nominated cohabiting partner, one child would receive 1/320th of your final pay times the membership you would have built up to age 65, while two or more children would receive 1/160th shared equally between them.
 - If there is no husband's, wife's, civil partner's or nominated cohabiting partner's pension being paid, one child would receive 1/240th of your final pay times the membership you would have built up to age 65, while two or more children would receive 1/120th shared equally between them.
-

You should see our booklet '*All About Your Retirement Benefits*' to find out how membership counts and how final pay is worked out for the calculation of LGPS benefits.

If you die in service and are you paying additional contributions to:

-
- buy extra LGPS pension and you opted to pay for dependant's benefits when you took out your original contract, then extra benefits will be payable to your husband, wife, civil partner or

nominated cohabiting partner and to eligible children as if you had completed all payments. If you did not opt to pay for dependant's benefits when you took out your original contract, then no extra benefits will be payable.

- buy LGPS added years, you will be credited on your death with the whole extra period of membership that you set out to buy, even if you have not completed full payment for it. This will increase the value of the benefits payable to your husband, wife, civil partner or nominated cohabiting partner and to eligible children. To buy added years you must have opted to do so before 1 April 2008.

If you pay AVCs arranged through the LGPS (in-house AVCs), the value of your AVC fund is payable, as is any extra life cover or spouse's/civil partner's pension paid for through AVCs.



What benefits will be paid if I die after retiring on pension?

If you die after retiring on pension, your benefits will no longer be payable.

Your husband, wife, civil partner, cohabiting partner, next-of-kin or person dealing with your estate must immediately inform the Fund of your date of death as otherwise an overpayment could occur. Contact details can be found on the back page of this booklet.

The following benefits may then be payable on your death:

A lump-sum death grant will be paid if you die within the first ten years on pension, and you are under age 75. The amount payable would be ten times your annual pension reduced by any pension already paid to you (ignoring any reduction in your pension as a result of re-employment by an employer offering membership of the LGPS).

A survivor's pension: a pension will be paid to your husband, wife, registered civil partner or, subject to certain qualifying conditions, your nominated cohabiting partner. This pension is payable immediately after your death for the rest of their life and will increase every year in line with inflation.

-
- **For your husband or wife:** the pension payable is equal to 1/160th of your final pay times the membership your pension is based on, unless you marry after retirement in which case it could be less. If you marry after retiring:

- your husband's pension is based on your membership after 5 April 1988, (excluding, unless you were married to your husband at some time while you paid into the LGPS, additional membership purchased by you or granted to you by your employer or the Scheme),
- your wife's pension is based on your contracted-out membership after 5 April 1978.

-
- **For your civil partner or nominated cohabiting partner:** the pension payable is equal to 1/160th of your final pay times your membership in the Scheme after 5 April 1988.

To nominate a cohabiting partner your relationship has to meet certain conditions laid down by the LGPS. Information on these conditions, and how to make a nomination are set out in *'What are the conditions for a nominated cohabiting partner's survivor's pension?'* on page 56.

Children's pensions: these are payable to eligible children and increase every year in line with inflation.

The amount of pension depends on the number of eligible children you have:

-
- If a survivor's pension is being paid to your husband, wife, civil partner or nominated cohabiting partner, one child would receive 1/320th of your final pay times the membership your pension is based on, while two or more children would receive 1/160th shared equally between them.
 - If there is no husband's, wife's, civil partner's or nominated cohabiting partner's pension being paid, one child would receive 1/240th of your final pay times the membership your pension is based on, while two or more children would receive 1/120th shared equally between them.

If you paid additional contributions to buy extra benefits see the section on *'Increasing Your Benefits'* on page 28 to find information on any extra survivor benefits that may be payable.



Who is the lump-sum death grant paid to?

Your administering authority has absolute discretion over who receives any lump-sum death grant; they can pay it to your nominee or personal representatives or to any person who appears, at any time, to have been your relative or dependant. The LGPS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning a nomination form. If any part of the death grant has not been paid within two years, it must be paid to your personal representatives, i.e. to your estate. If you have not already made your wishes known, or you wish to change a previous nomination, a form is available from the Fund. Remember to complete a new form if your wishes change.

What are the conditions for a nominated cohabiting partner's survivor's pension?

To be able to nominate a cohabiting partner, of either opposite or same sex, to receive a survivor's pension on your death, all of the following conditions must have applied to both you and your nominated cohabiting partner for a continuous period of at least two years on the date you both sign the nomination form:

- both you and your nominated cohabiting partner are, and have been, free to marry each other or enter into a civil partnership with each other, and
- you and your nominated cohabiting partner have been living together as if you were husband and wife, or civil partners, and
- neither you or your nominated cohabiting partner have been living with someone else as if you/they were husband and wife or civil partners, and
- either your nominated cohabiting partner is financially dependent on you or you are financially interdependent on each other.

Your partner is financially dependent on you if you have the highest income. Financially interdependent means that you rely on your joint finances to support your standard of living. It doesn't mean that you need to be contributing equally. For example, if your partner's income is a lot more than yours, he or she may pay the mortgage and most of the bills, and you may pay for the weekly shopping.

You make a nomination by completing a nomination form which is available the Fund. A nomination is only valid if all of the above conditions have been met for a continuous period of at least two years on the date you both sign the form.

On your death, a survivor's pension would be paid to your nominated cohabiting partner if:

-
- the nomination has effect at the date of your death, and
-
- your nominated cohabiting partner satisfies your administering authority that the above conditions had also been met for a continuous period of at least two years immediately prior to your death.
-

And...

- If your LGPS benefits are subject to a pension sharing order issued by the court following divorce or dissolution of a civil partnership, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the court order or agreement. In consequence, if you remarry, enter into a new civil partnership or nominate a cohabiting partner to receive a survivor's pension, any spouse's pension, civil partner's pension or nominated cohabiting partner's pension payable following your death will also be reduced. Benefits payable to eligible children will not, however, be reduced because of a pension share.
-
- If your membership in the LGPS includes a GMP, your wife's pension for that part of your membership prior to 6 April 1997 must not be less than half your GMP. Your husband or civil partner's pension for that part of your membership prior to 6 April 1997 must not be less than half your GMP built up after 5 April 1988.
-



-
- Your personal representatives will have to determine whether, with the lump-sum death grant, the capital value of your overall pension benefits (not including any spouse's, civil partner's or dependant's pensions) exceeds the HMRC allowance. Under HMRC rules, any excess will be subject to a recovery tax charge. Most Scheme members' pension savings will be significantly less than the allowance. You can find more information on this from the section on *'Tax Controls and Your LGPS Benefits'* on page 77.
-

Your LGPS Retirement Benefits

In this section, we look at how your retirement benefits are worked out and when you can retire if you pay into the LGPS on or after 1 April 2008.

Your LGPS benefits are made up of:

- An annual pension that, after leaving, increases every year in line with inflation for the rest of your life, and
- The option to exchange part of your pension for a tax-free lump-sum paid on retirement.

The two main factors used to calculate your LGPS pension are:

- your membership in the Scheme, and
- your final pay.

If you joined the LGPS on or after 1 April 2008, for each year of membership you receive a pension based on 1/60th of your final pay – so if you have 40 years' membership you get 40/60ths or two thirds of your final year's pay as an annual pension.



If you joined the LGPS before 1 April 2008, your benefits for membership before 1 April 2008 are calculated differently. You can find out how from our leaflet '*If You Joined the LGPS Before 1 April 2008*'.

Membership

The first important element used in working out your pension is your membership. This normally includes:

- How long you have been a member of the LGPS worked out in years and days, but excluding:
 - membership for which you already receive a LGPS pension or hold an LGPS deferred pension,
 - membership from any concurrent job you may have, and
 - any LGPS membership in respect of which you have received a refund or have transferred the pension rights to another scheme.

- Membership purchased by a transfer from another scheme. Membership from a transfer in will count as pre-1 April 2008 membership if you were contributing to the LGPS on 31 March 2008; otherwise it will count as post 31 March 2008 membership.

- Any extra membership you have bought with additional contributions or by converting in-house AVCs into membership.

- Any extra membership awarded by your employer

- Any extra membership awarded by the Scheme if you are retired because of permanent ill-health.

This could be different to your actual calendar length membership of the LGPS. For example:

If you work part-time, although the calendar length of your membership is used to decide if you are eligible for a benefit, your membership is reduced to its whole-time equivalent length to calculate the amount of your retirement benefits. For example, if you work half-time for ten years, your benefits would be calculated on five years' membership.

If you have transferred membership from the LGPS in Scotland or Northern Ireland, it may not count at its actual calendar length.

If you were in the LGPS before 1 April 2008, you should also see our leaflet '*If You Joined the LGPS Before 1 April 2008*' to find out about how membership counts.

Final pay

The other important element used in working out your benefits is your final pay.

This is usually the pay in respect of the final year (grossed up to a full year's pay if you did not receive pay for a full year) of Scheme membership on which you paid contributions, or one of the previous two years if this is higher, and includes your:

- normal pay
- contractual shift allowance
- bonus
- contractual overtime
- maternity pay, paternity pay, adoption pay, and
- any other taxable benefit specified in your contract as being pensionable.

This may not include all your pay. We don't include such things as car allowances (other than in some historical protected cases), casual overtime, travelling or subsistence allowances, pay in lieu of notice or pay in lieu of loss of holidays.

If you are working part-time when you leave the LGPS, or worked part-time at some point during your

last year of membership, your final pay is the whole-time pay that you would have received, if you had worked whole-time.

If your pay is reduced in this period because of sickness, your final pay will be the pay that you would have received if you had not been off sick. If you have maternity, paternity or adoption leave in this period for which you paid (or are deemed to have paid) pension contributions, final pay includes the pay you would have received had you not been on maternity, paternity or adoption leave.

If you downgrade or move to a job with less responsibility with your employer in your last ten years, you have the option to have your final pay calculated as the average of any three consecutive years in the last ten years (ending on a 31 March).

If your pay was reduced or restricted for reasons beyond your control before 1 April 2008 and you were issued with a certificate of protection from your employer and you leave the LGPS within ten years of the reduction or restriction in your pay, then we will work out your final pay as the best year's pay in the last five years, or the average of the best consecutive three years in the last 13 years after allowing for inflation.

How are my retirement benefits worked out?

For membership you build up after 31 March 2008:

Your annual pension is calculated by dividing your total membership by 60 and multiplying this figure by your final pay.

You can take a tax-free lump-sum by giving up some of your annual pension. You can take up to 25% of the capital value of your LGPS benefits as a lump-sum (limited to £412,500 – 2008/2009 figure – less the value of any other pension rights you have in payment). For every £1 of annual pension that you give up, you will receive £12 lump-sum. In the same way, giving up £100 of your annual pension would give you £1,200 lump-sum, and so on.



Here are examples of how your pension and lump-sum option is worked out for membership after 31 March 2008:

If you work full-time:

Let's look at someone retiring at age 65 with 20 years full-time membership in the Scheme and a final year's pay of £18,000.

Their annual pension is:
 $20 \text{ years} \times 1/60\text{th} \times £18,000$
= £6,000

If they decide to give up £1,500 pension for a cash lump-sum, then:

Their reduced annual pension is:
 $£6,000 \text{ less } £1,500 = \mathbf{£4,500}$

And they will get a tax-free lump-sum of: $£1,500 \times 12 = \mathbf{£18,000}$

If you work part-time:

The same calculation is used, but your membership is scaled down to the whole-time equivalent length based on your contractual hours and your final pay is scaled up to the whole-time equivalent rate.

Let's look at someone retiring at age 65 after 20 years working half-time i.e. 18¹/₂ hours a week in a job where the full-time hours would be 37 per week and with a part-time final pay of £9,000.

Membership to be used in calculating benefits is reduced like this:

$$20 \text{ years} \times 18\frac{1}{2} \div 37 = 10 \text{ years}$$

And we would use a whole-time equivalent pay, so:

Their annual pension is:

$$10 \text{ years} \times \frac{1}{60\text{th}} \times \text{£}18,000 = \text{£}3,000$$

If they decide to give up £750 pension for a cash lump-sum, then:

Their reduced annual pension is:
£3,000 less £750 = **£2,250**

And they will get a tax-free lump-sum of: £750 x 12 = **£9,000**

They will have paid half the contributions and receive half the benefits of an equivalent whole-time person.



If your hours have changed during your membership of the Scheme, your benefits will be calculated to reflect the changes. If you do not have any contractual hours, your membership for each year in the LGPS will be calculated on average weekly hours worked during each year.

Your benefits can be reduced or increased, depending upon your reason for retirement – see the section on *'When you can retire'* on page 66. There are HMRC controls on the pension savings you can have before you become subject to a tax charge – see our booklet *'All About Your Retirement Benefits'*.

If you joined the LGPS before 1 April 2008, your benefits for membership before 1 April 2008 are calculated differently. For LGPS membership you have built up to 31 March 2008, you receive an annual pension based on 1/80th of your final pay and an automatic tax-free lump-sum of three times your pension. Like the pension, the automatic lump-sum is based on your LGPS membership before 1 April 2008 and your final pay. You can also exchange part of your pre-April 2008 pension for extra lump-sum as described above. For more information and examples, see our leaflet '*If You Joined the LGPS Before 1 April 2008*'.

What options do I have on retirement?

You may be able to alter your standard retirement package by:

Taking a lump-sum

As mentioned earlier, on retirement you will be able to take part of your benefits as a tax-free lump-sum by giving up some of your pension. An option to take a lump-sum has to be made in writing before your benefits are paid. So that you have plenty of time to make up your mind and seek financial advice if you wish, it is important you contact the

Fund well in advance of your intended retirement date so we can provide you with more details.

Your pension will be reduced in accordance with any election you make to receive a lump-sum. Any subsequent pension for your husband, wife, civil partner, nominated cohabiting partner or children will not be affected if you decide to exchange part of your pension for a lump-sum.

If you have a GMP, you may not reduce your pension to below the level of your GMP.

Getting a small pension paid as a lump-sum

The Fund may be able to pay a small pension as a one-off lump-sum less a tax charge. However, the circumstances where this may happen are restrictive, particularly if you have any other pension benefits.

If a small pension is paid as a one-off lump-sum, all other benefits from the LGPS would have to cease, so the Fund will have to check that you have no other LGPS benefits before deciding whether your pension can be paid as a one-off lump-sum.

State retirement benefits

Your state retirement pension

In addition to your LGPS benefits, you may also qualify for a state retirement pension paid by the Government from state pension age.

The basic state pension is based on the national insurance contributions you pay, or which are given as credits, during your working life.

State pension age is 65 for men and 60 for women. However, from the year 2020, the Government will have equalised the state pension age for both men and women at 65.

The increase in the state pension age for women will be phased in gradually from the year 2010 as shown here:

Date of birth	State pension age
Before 6 April 1950	60
6 April 1950 - 5 April 1951	Between 60 & 61
6 April 1951 - 5 April 1952	Between 61 & 62
6 April 1952 - 5 April 1953	Between 62 & 63
6 April 1953 - 5 April 1954	Between 63 & 64
6 April 1954 - 5 April 1955	Between 64 & 65
After 5 April 1955	65

The additional state pension, also known as the state earnings-related pension scheme (SERPS) or state second pension (S2P), is the part of your state pension that depends on your earnings since April 1978. LGPS members are contracted out of the additional state pension and most pay lower national insurance contributions as a result.

The state pension age will be increased further from 65 to 68 between 2024 and 2046.





When you can retire and draw your benefits

The Scheme's normal retirement age is 65. You can retire and receive your LGPS benefits without any reductions from age 65.

You may decide to retire earlier, or you may have to retire, perhaps because of redundancy or permanent ill-health. Your LGPS benefits, even in these circumstances, can provide you with an immediate retirement pension, which may even be enhanced.

There is one important condition: to be entitled to retirement benefits, you must have been a member of the LGPS for at least three months, or have brought in a transfer from another pension scheme, or already have a deferred benefit elsewhere in the LGPS in England or Wales.

There are specific rules relating to each type of retirement, so this section looks at the different ways of retiring, and the implications.

Early retirement at your request

Early retirement is available, but you may need your employer's consent and your benefits may be reduced.

If you are aged 60 to 64

You can retire and receive payment of your benefits at any time from age 60 onwards, and you don't need your employer's consent.

If you are aged 55 to 59

You may be able to retire and receive payment of your benefits immediately, but this is only possible with your employer's consent. Your employer will have a policy about how they deal with these applications. You can ask your employer for details of their policy.

If you were paying into the LGPS on 31 March 2008, you may have a protected earliest retirement age. You can find out about this from our leaflet '*If You Joined the LGPS Before 1 April 2008*'.

Will my pension and lump-sum be reduced if I voluntarily retire early?

If you choose to retire before age 65 your benefits will be reduced to take account of being paid for longer. Your benefits are initially calculated as detailed in the section on '*Your LGPS Retirement Benefits*' and are

then reduced. How much your benefits are reduced by depends on how early you draw them.

If you were in the LGPS on 30 September 2006, some or all of your benefits paid early could be protected from the reduction if you are a protected member. You can find out more about this from our leaflet *'If You Joined the LGPS Before 1 April 2008'*.

The reduction is calculated in accordance with guidance issued by the Government Actuary's Department from time to time. The reduction is based on the length of time (in years and days) that you retire early – from the date your benefits are paid to age 65. The earlier you retire, the greater the reduction.



As a guide, the percentage reductions, issued in April 2008, for retirements up to five years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

No. of years paid early	Pensions reduction		Lump-sum reduction
	Men	Women	
0	0%	0%	0%
1	6%	5%	2%
2	11%	10%	5%
3	16%	15%	7%
4	20%	19%	9%
5	24%	23%	12%

Your employer can agree not to make these reductions on compassionate grounds. You can ask them what their policy on this is.

You can reduce or avoid the reductions by not taking immediate payment of your benefits on retirement i.e. by delaying payment until a later date. If you decide not to draw immediate benefits, the benefits would normally become payable at age 65, but you can defer payment beyond that age, although benefits must be paid by age 75. If benefits are deferred beyond age 65, they will be increased accordingly to reflect late payment.

Early retirement through redundancy or business efficiency

What happens if my employer makes me redundant or retires me on the grounds of business efficiency?

If you are aged 55 or over, your benefits are payable immediately without any early retirement reductions if your employer makes you redundant or you are retired on the grounds of business efficiency.

If you were in the LGPS on 31 March 2008, you may have an earlier age when benefits can be paid on redundancy or business efficiency retirement. You can find out more about this from our leaflet '*If You Joined the LGPS Before 1 April 2008*'.

Your employer may also enhance your benefits at their discretion. Your employer can award you with up to ten years' additional membership to improve your retirement benefits. They can also grant you up to £5,000 extra annual pension. These are discretions your employer can use if they so wish and they will publicise their policy on this for your information.



Ill-health retirement

What happens if I have to retire early due to permanent ill-health?

If you have to leave work due to illness, you may be able to receive immediate payment of your benefits.

To qualify for ill-health benefits, your employer, based on an opinion from an independent specially qualified doctor, must be satisfied that you will be permanently unable to do your own job and that you have a reduced likelihood of being capable of obtaining gainful employment before age 65.

Ill-health benefits can be paid at any age and are not reduced on account of early payment – in fact, your benefits could be increased to make up for your early retirement.

There are graded levels of benefit based on how likely you are to be capable of obtaining gainful employment after you leave.

The different levels of benefit are:

-
- If you have no reasonable prospect of being capable of obtaining gainful employment before age 65, ill-health benefits are based on the membership you would have had if you had stayed in the Scheme until age 65.
-
- If you are unlikely to be capable of obtaining gainful employment within three years of leaving, but you may be capable of doing so before 65, then ill-health benefits are based on your membership built up to leaving plus 25% of your prospective membership from leaving to age 65.
-
- If you are likely to be capable of obtaining gainful employment within three years of leaving, ill-health benefits are based on your membership at leaving. Payment of these benefits will be stopped after three years, or earlier if you are in gainful employment or become capable of undertaking such employment.
-

Gainful employment means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

If you are part-time, any extra membership awarded due to ill-health retirement will be reduced to reflect your part-time hours at leaving, disregarding any reduction in hours due to your illness.

If you were in the LGPS on 31 March 2008 and were aged 45 or over on that date and you qualify for the type of ill-health pension where your benefits are based on enhanced membership, there is protection to ensure your ill-health retirement benefits are no less than they would have been under the Scheme as it applied before 1 April 2008.

Retiring after age 65

What if I carry on working after age 65?

If you choose to carry on working after age 65 you will continue to pay into the LGPS, building up further benefits. You can receive your pension when you retire although your pension has to be paid by your 75th birthday. Also, if you retire at or after age 65 you can, if you wish, defer drawing your pension but you must draw it by age 75.

Because you will have already passed age 65 when you retire, there are no early retirement reductions

to your benefits, no matter how little membership you have. In fact, if you draw your pension after age 65 your benefits will be paid at an increased rate.

Flexible retirement

Can I have a gradual move into retirement?

Rather than continuing in your job to 65 or beyond you may wish to consider the possibility of flexible retirement. From age 55, if you reduce your hours or move to a less senior position, and provided your employer agrees, you can draw some or all of the pension benefits you have built up, helping you ease into retirement. Your employer will have a policy on flexible retirement. You can ask your employer for details of their policy.

If your employer agrees to flexible retirement, you can still draw your wages/salary from your job on the reduced hours or grade and continue paying into the LGPS, building up further benefits in the Scheme.

Your election to receive benefits has to be made to the Fund.

If you were in the LGPS on 31 March 2008, you may have an earlier age you can ask for flexible retirement.

You can find out more about this from our leaflet *'If You Joined the LGPS Before 1 April 2008'*.

Will my pension and lump-sum be reduced if I take flexible retirement?

If you take flexible retirement before age 65, your benefits initially calculated as detailed in the section on 'Your LGPS retirement benefits' will be reduced for early payment.

If you were in the LGPS on 30 September 2006, some or all of your benefits paid early on flexible retirement could be protected from the reduction if you are a protected member. You can find out more about this from our leaflet *'If You Joined the LGPS Before 1 April 2008'*.

Your employer may, however, determine not to apply all or part of any reduction. You can ask them what their policy on this is.

If you receive payment of your benefits on flexible retirement, then your benefits will not be subject to reduction or suspension for re-employment while you are in a job with the employer that allowed you to take flexible retirement.

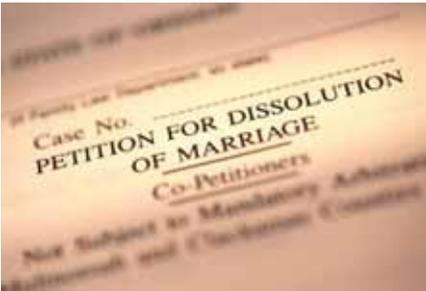


If you take flexible retirement after age 65, your benefits initially calculated as detailed in the section on *'Your LGPS Retirement Benefits'* on page 59 will be increased to reflect late payment.

Membership built up to the date of flexible retirement will count in your continuing employment to decide whether you have the three months minimum membership to qualify for a benefit when you finally leave your continuing employment.

Pensions and Divorce or Dissolution of a Civil Partnership

In this section, we look at what happens to your LGPS benefits if you get divorced or your civil partnership is dissolved.



You may wish to get legal advice from your solicitor on how to deal with your LGPS benefits, and you and your partner will need to consider how to treat your pension rights as part of any divorce/ dissolution settlement.

What happens to my benefits if I get divorced or my civil partnership is dissolved?

- Your ex-wife, ex-husband or ex-civil partner will cease to be entitled to a widow's, widower's or civil partner's pension should you die before them.

- Any children's pension paid to an eligible child in the event of your death will not be affected by your divorce or dissolution.
- If you have nominated your ex-wife, ex-husband or ex-civil partner to receive any lump-sum death grant payable on your death, your nomination will remain in place unless you change it. If you wish to change your death grant nomination contact the Fund for a form. The court may, however, issue an earmarking order stating that all or part of any lump-sum death grant is payable to your ex-spouse or ex-civil partner.



What is the process to be followed?

You will need specific information about your LGPS benefits as part of the proceedings for a divorce, judicial separation or nullity of marriage, or for dissolution, separation or nullity of a civil partnership. You or your solicitor should contact the Fund for this information, including an estimate of the cash equivalent value (CEV) of your pension rights. The court will take this value into account in your settlement. In Scotland, only the pension rights built up during your marriage/civil partnership are taken into account. You usually get one free CEV estimate each year. Any other costs for supplying information or complying with a court order will be recovered from you and/or your ex-spouse or ex-civil partner in accordance with a schedule of charges available from the Fund.

All correspondence received by the Fund in connection with divorce or dissolution proceedings will be acknowledged in writing. If no acknowledgement is received, you should contact the Fund to ensure that your correspondence has been received.



The court may offset the value of your pension rights against your other assets in the divorce/dissolution settlement or it may issue a pension sharing order (qualifying agreements in Scotland) or an earmarking order against your pension.

Offsetting pension rights

You can offset the value of your pension rights against the value of other financial assets in your divorce/dissolution settlement. For example, you could keep your pension, and your ex-spouse or ex-civil partner could get a larger share of the value of the house.

Pension sharing order

If the court issues a pension sharing order, or your benefits are subject to a qualifying agreement in Scotland, part of your benefits are transferred into your ex-spouse's or ex-civil partner's possession. They will keep that share even if your or their circumstances change.

Your ex-spouse or ex-civil partner will hold those benefits in his/her own right. They can be left in the Scheme and are normally paid from age 65 or can be transferred to another qualifying pension scheme.

Your pension and any lump-sum will be reduced by the amount allocated to your ex-spouse or ex-civil partner at the point of divorce/dissolution.

The reduction to your benefits is known as a pension debit. The amount of the pension debit will be increased in line with the rise in inflation between the date it was first calculated and the date your benefits are paid. When your benefits are paid, the revalued amount of the pension debit will be deducted from your retirement benefits.

You may be able top up your benefits by buying extra Scheme pension, paying AVCs, or by paying into a concurrent personal pension

plan or stakeholder pension scheme in order to make up for the benefits 'lost' following a pension share.

You can find information on paying extra to increase your benefits from the section on '*Increasing Your Benefits*' on page 28.

You can still transfer your remaining benefits to another pension arrangement on leaving the LGPS. If you transfer within the LGPS, your new fund will reduce your benefits by the pension debit at retirement.

In assessing the value of your benefits against the value of all the pension savings you are allowed before you become subject to a tax charge (lifetime allowance), the reduced value of your benefits after the pension debit has been deducted will be used. The lifetime allowance for 2008/2009 is £1.65 million. Most Scheme members' pension savings will be significantly less than the lifetime allowance. If you are a high earner affected by the introduction of the lifetime allowance from 6 April 2006, a pension debit may affect any lifetime allowance protection you may have. You can find out about this from the section '*Tax Controls and Your LGPS Benefits*' on page 77.

Earmarking order

If the court makes an earmarking order, your LGPS benefits still belong to you, but some are earmarked for your ex-spouse or ex-civil partner. The earmarked benefits will be paid to your ex-spouse or ex-civil partner when your benefits are paid, reducing the amount paid to you.

The order can require that your ex-spouse or ex-civil partner receive one or a combination of the following:

- all or part of your LGPS pension (this doesn't apply to divorces/dissolutions in Scotland)
- all or part of any lump-sum (the court can order that you commute your pension, up to the maximum amount permitted, into a lump-sum – but this power does not apply to divorces/dissolutions in Scotland) payable to you, and
- all or part of any lump-sum payable on your death.

When earmarked benefits become payable, the Fund will contact your ex-spouse or ex-civil partner to check that the earmarking order is still valid and arrange payment of the earmarked benefits.

You can transfer your benefits to another pension arrangement on leaving the LGPS, as long as your new pension provider can accept the earmarking order.

Earmarking has limitations and is not widely used. As the pension rights remain with you, your ex-spouse or ex-civil partner must wait for you to retire or die to receive the earmarked benefits. If your former spouse or civil partner remarries or enters into a new civil partnership, an earmarking order against pension payments, but not lump-sums (unless the order directs otherwise), would cease and the full pension would be restored to you. Pension payments to your former spouse or civil partner would cease on your death, although any earmarked lump-sum death grant would then become payable to your ex-spouse or ex-civil partner.

What if I remarry or enter into a new civil partnership?

If your LGPS benefits are subject to a pension sharing order and you remarry, enter into a new civil partnership or nominate a cohabiting partner to receive a survivor's pension, any spouse's pension, civil partner's pension or nominated cohabiting partner's



pension payable following your death will also be reduced. If you remarry or enter into a new civil partnership and then divorce or dissolve your civil partnership again, your remaining pension rights can be subject to further division, although a pension sharing order cannot be issued if an earmarking order has already been issued against your LGPS pension rights. Similarly, an earmarking order cannot be issued if your pension benefits are already subject to a

pension sharing order in respect of the marriage/civil partnership.



Tax Controls and Your LGPS Benefits

In this section, we look at the HM Revenue and Customs (HMRC) rules that govern pension savings.

There are controls on the total amount of contributions you can make into all pension arrangements and receive tax relief and on the pension savings you can have before you become subject to a tax charge. This is in addition to any tax due under the PAYE system on pension payments.

You can, if you wish, pay up to 100% of your taxable earnings in any tax year (or £3600 if greater) into any number of concurrent pension arrangements of your choice and be eligible for tax relief on the contributions.

There are two main allowances for pension savings – an annual allowance and a lifetime allowance. There are also protections for benefits earned up to 5 April 2006 if you are a high earner affected by the introduction of the lifetime allowance from 6 April 2006.

Most people will be able to save as much as they wish with full tax relief as their pension savings will be significantly less than the allowances.



Are there any limits on how much I can pay in contributions?

At the present time, there is no overall limit on the amount of contributions you can pay, although there is a limit of £5,000 on the extra LGPS pension you can buy and the amount you can pay to the Scheme's AVC arrangement is limited to 50% of your earnings. Although there is no overall limit on the amount of contributions you can pay to all schemes, tax relief will only be given on contributions up to a total of 100% of your taxable earnings.

What are the tax controls on my pension savings?

The annual and lifetime allowances cover any pension benefits you may have in all tax-registered pension arrangements – not just the LGPS – but excludes the state pension.

Annual allowance

This is the amount by which the value of your pension benefits may increase in any one year (disregarding the value of any benefits in the year that they become payable) without you having to pay a tax charge. Years run from 1 April to 31 March.

The annual allowance is set by the Treasury and for 2008/2009 is £235,000.

The assessment covers any pension benefits you may have in all tax-registered pension arrangements – not just the LGPS.

If you exceed the annual allowance in any year (other than the year that that all your benefits become payable), you are responsible for reporting this to HMRC on your self-assessment tax return and for paying the annual allowance tax charge. The Fund will be able to tell you how much the value of your LGPS benefits, including any AVC arrangement you may have, has increased.

The annual allowance tax charge is 40% of any increase in benefits above the annual allowance. The tax charge will not apply if you have registered to have enhanced protection (see page 80), but only if you keep enhanced protection throughout the relevant tax year.

Lifetime allowance

The lifetime allowance is the total value of all pension benefits you can have without triggering an excess benefits tax charge. If the value of your pension benefits when you draw them (not including any state retirement pension, state pension credit or any spouse's, civil partner's or dependant's pension you may be entitled to) is more than the lifetime allowance, or more than any primary lifetime allowance protection or enhanced protection you may have (see page 80), you will have to pay tax on the excess benefits. The lifetime allowance covers any pension benefits you may have in all tax-registered pension arrangements – not just the LGPS.

The lifetime allowance set by the Treasury for 2008/2009 is £1.65 million.

For pensions that start to be drawn on or after 6 April 2006, the capital value of those pension benefits is calculated by multiplying your

pension by 20 and adding any lump-sum you draw from the Scheme – so, for example, an employee earning in excess of £143,500 per annum and with 40 years' membership in the LGPS could be affected.

For pensions already in payment before 6 April 2006, the capital value of these is calculated by multiplying the current annual rate, including any pensions increase, by 25. Any lump-sum already paid is ignored in the valuation.

When any LGPS benefit, or any other pension arrangement you may have, is put into payment you use up some of your lifetime allowance – so even if your pensions are small and will not be more than the lifetime allowance you should keep a record of any pensions you receive. If you have a pension in payment before 6 April 2006, this will be treated as having used up part of your lifetime allowance.

If your LGPS benefits are more than your lifetime allowance, or your primary lifetime allowance protection or enhanced protection (see page 85), you will have to pay tax on the excess. If excess benefits are paid as a pension the charge will be 25%, with income tax deducted on the ongoing pension payments;

if the excess benefits are taken as a lump-sum they will be taxed once only at 55%.

Primary lifetime allowance protection

Primary protection is aimed at protecting benefits earned up to 5 April 2006 for those high earners affected by the introduction of the lifetime allowance from 6 April 2006 i.e. those whose benefits at 5 April 2006 already had a capital value in excess of the 2006/2007 lifetime allowance of £1.5 million.

To work out whether your benefits at 5 April 2006 were more than the 2006/2007 lifetime allowance of £1.5 million, you will need to add up the following

-
- a) for any LGPS pension benefits not in payment on 5 April 2006, multiply the annual pension built up to 5 April 2006 by 20 and add the lump-sum (benefits under (a) or (b) will, if necessary, need to be restricted to ensure they are not more than the maximum benefits allowed under the Scheme rules at 5 April 2006. If the value of your benefits at 5 April 2006 were more than HMRC benefit limits at that date and you wish to elect for enhanced protection, you will have to give up the excess

benefits – but the excess benefits given up could be reinstated if you lose or give up enhanced protection);

b) for any LGPS AVCs not in payment on 5 April 2006, add the fund value at 5 April 2006 (benefits under (a) or (b) will, if necessary, need to be restricted to ensure they are not more than the maximum benefits allowed under the Scheme rules at 5 April 2006);

c) for any benefits held in other pension schemes/arrangements not in payment on 5 April 2006, add the value as at 5 April 2006. You can obtain this from the administrators of that scheme/arrangement;

d) for any pension benefits already in payment on 5 April 2006, multiply the annual rate in payment at 5 April 2006, including any pensions increase, by 25 (but ignore any lump-sum already paid)

If the value of your pension benefits at 5 April 2006 was more than the 2006/2007 lifetime allowance of £1.5 million, you can register for primary protection. This gives you an individual lifetime allowance based on how much your benefits at

5 April 2006 exceeded the value of the 2006/2007 standard lifetime allowance. Your individual lifetime allowance increases at the same rate as the standard lifetime allowance. So, if your benefits at 5 April 2006 exceeded the 2006/2007 standard lifetime allowance by 10%, your individual lifetime allowance will always be 10% higher than whatever the standard lifetime allowance is in future years.

If your pension rights are shared on divorce or dissolution of a civil partnership this will result in the individual lifetime allowance being reduced (or lost if it reduces to below the standard lifetime allowance).

Enhanced protection

You can register for enhanced protection (as well as primary protection) if the value of your pension benefits at 5 April 2006 was more than the 2006/2007 lifetime allowance of £1.5 million. You can also register for enhanced protection if you believe the value of those benefits may, in the future, be more than the standard lifetime allowance or if you believe your pension benefits in any one year will increase by more than the annual allowance. Under enhanced protection, you will not pay tax on benefits in excess of

the lifetime allowance provided your benefits at 5 April 2006 (if the value of your benefits at 5 April 2006 were more than HMRC benefit limits at that date and you wish to elect for enhanced protection, you will have to give up the excess benefits (but the excess benefits given up could be re-instated if you lose or give up enhanced protection) do not increase after then beyond certain limits (in general terms, by more than the greater of 5% per annum, the increase in inflation or increases in your pensionable pay). If the limit is exceeded, you will pay tax on the excess. You will lose enhanced protection if you pay contributions into a money purchase pension arrangement (e.g. pay into the LGPS in-house AVC facility – you will not lose enhanced protection if you are paying AVCs at 5 April 2006 purely for extra life cover and carry on doing so after that date provided the terms are not varied significantly from those that applied under the policy at 5 April 2006 so as to increase the level of life cover or extend the period during which such benefits are payable, e.g. you do not adjust the premiums to purchase increased life cover) or if you start a new pension arrangement, or if you transfer your LGPS benefits to another defined benefit pension



scheme. You can also voluntarily give up enhanced protection by giving notice that you no longer wish to keep it.

If you lose enhanced protection, you must notify HMRC within 90 days. Failure to do so could result in a fine of up to £30,000.

Making an election for protection

You have to register with HMRC by 5 April 2009 if you wish to obtain primary and/or enhanced protection. The relevant forms are available at <http://www.hmrc.gov.uk/pensionschemes/protection.htm>

If you are intending to retire before 6 April 2009 and are considering making an election for primary or enhanced protection, you may wish to wait until just before retirement before deciding whether or not to

apply. That way, if it turns out that primary rather than enhanced protection is best for you, delaying a decision would be to your advantage as it would mean you would not have to surrender any excess pension rights at 5 April 2006.

You should seek independent financial advice before deciding whether (and when) to apply for primary or enhanced protection.

Transitional protection: lump-sums

When you retire you will, provided you have membership in the LGPS before 1 April 2008, be entitled to an automatic lump-sum from the LGPS, in addition to your pension. There are two types of lump-sum protection available. These relate to members who, at 5 April 2006, either:

- had built up a lump-sum of £375,000 or more and the member has applied for primary and/or enhanced protection, or
- had built up a lump-sum that was more than 25% of the value of any pension rights not in payment at that time.

It is expected that very few (if any) LGPS members will have built up lump-sums that meet either of these limits. Information on the protection can be found on the HMRC website:

<http://www.hmrc.gov.uk/manuals/rp-smmanual/RPSM03201060.htm>



Help With Pension Problems

In this section, we look at what you can do if you are not happy about a decision made about your LGPS pension position.

Who can help me if I have a query or complaint?

If you are in any doubt about your LGPS benefit entitlements, or have a problem or question about your LGPS membership or benefits, please contact the Fund. Contact details can be found on the back page of this booklet. We will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.

If your query is about your contribution rate, please contact your employer's personnel/human resources or payroll section, so they can explain how they have decided which contribution band you are in.

If you are still dissatisfied with any decision made in relation to the Scheme, you have the right to have your complaint independently reviewed under the Scheme's internal disputes resolution procedure. There are also a number of other regulatory bodies that may be able to assist you.

Here are the various ways you can ask for help with a pension problem.

Internal disputes resolution procedure

In the first instance, you should write to the person nominated by the body who made the decision about which you wish to appeal. You must do this within six months of the date of the notification of the decision about which you are complaining (or such longer period as the nominated person considers reasonable). This is a formal review of the initial decision and is an opportunity for it to be reconsidered. The nominated person will consider your complaint and notify you of his/her decision.

If you are dissatisfied with that person's decision, you may, within six months of the date of the decision, apply to the Fund's administering authority to have it reconsidered.

The Fund can tell you who your employer's/the Fund's administering authority's nominated person is and

supply you with a more detailed leaflet on the IDRП together with a form to fill in or you can ask your employer. Contact details can be found on the back page of this booklet.

The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with any pensions query they may have or any difficulty which they cannot resolve with their scheme administrators. TPAS can be contacted at:

11 Belgrave Road
London
SW1V 1RB
Tel: 0845 601 2923

Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved after the intervention of TPAS, an application can be made, within three years of the event, to the Pensions Ombudsman for an adjudication. The Ombudsman can investigate and determine any complaint or dispute involving maladministration

of the Scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to the appropriate court on a point of law). Matters where legal proceedings have already started cannot be investigated by the Pensions Ombudsman. The Pensions Ombudsman can be contacted at:

11 Belgrave Road
London
SW1V 1RB
Tel: 020 7834 9144

The Pensions Regulator

This is the regulator of work-based pension schemes. The Pensions Regulator has powers to protect members of work-based pension schemes and a wide range of powers to help put matters right, where needed. In extreme cases, the regulator is able to fine trustees or employers, and remove trustees from a scheme. You can contact the Pensions Regulator at:

Napier House
Trafalgar Place
Brighton
BN1 4DW
Tel: 0870 606 3636

How can I trace my pension rights?

The Pension Tracing Service holds details of pension schemes, including the LGPS, together with contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their dependants) who have lost touch with previous employers. All occupational and personal pension schemes have to register if the pension scheme has current members contributing to their scheme or people expecting benefits from the scheme. If you need to use this tracing service, please write to:

The Pension Tracing Service

The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA
Tel: 0845 600 2537

Also, don't forget to keep your pension providers up to date with any change in your home address.



Some Terms We Use

Administering authority

Wolverhampton City Council is the administering authority for the West Midlands Pension Fund (WMPF).

West Midlands Pension Fund

PO Box 3948
Wolverhampton
WV1 1XP

Additional voluntary contributions (AVCs)

These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover.

All local government pension funds have an in-house AVC scheme where you can invest money through an AVC provider, often an insurance company or building society. AVCs are deducted directly from your pay and attract tax relief.

Admission body

An admission body is an employer that chooses to participate in the Scheme under an admission agreement. These tend to be employers such as charities and contractors.

Cash equivalent value (CEV)

This is the cash value of your pension rights for the purposes of divorce or dissolution of a civil partnership.

Civil partnership

A civil partnership is a relationship between two people of the same sex (civil partners) which is formed when they register as civil partners of each other.

Contracted-out

The LGPS was contracted-out of the state earnings-related pension scheme (SERPS) and is contracted out of the state second pension (S2P). This means that, prior to state pension age, you pay reduced national insurance contributions between the lower and upper earnings limits (unless you have opted to pay the married woman's/widow's reduced rate of national insurance). The LGPS guarantees to pay you a guaranteed minimum pension (GMP) for being contracted out of the state earnings-related pension scheme (SERPS) and, for membership after

5 April 1997, the LGPS must meet a minimum reference scheme test prescribed under the Pensions Act 1995.

Designating body

Designating bodies are bodies which can designate employees for access to the Scheme. This includes town and parish councils, voluntary schools, foundation schools, foundation special schools, Transport for London, and the Children and Family Court Advisory and Support Service among others.

Discretion

This is the power given by the LGPS to enable your employer or your administering authority to choose how they will apply the Scheme in respect of certain provisions. Under the LGPS your employer or your administering authority are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review.

You may ask your employer or your administering authority what their

policy is in relation to a discretion. Your administering authority is Wolverhampton City Council.

Eligible children

Eligible children are your children. They must, at the date of your death:

-
- be under 18 and be wholly or mainly dependant on you, or
 - be aged 18 or over and under 23, be dependent on you, and be in full-time education or undertaking vocational training (although a dependant child who commences full-time education or vocational training after the date of your death may be treated as an eligible child up to age 23), or
 - in some cases, a dependant child of any age who is disabled may be classed as an eligible child.
-

In all cases, the children must have been born before or within a year of your death.

Guaranteed minimum pension (GMP)

The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been contracted out of the state earnings-related pension scheme

(SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

Inflation

This reflects the movement of prices covering a range of goods and services over time. The amount by which pensions are increased annually is based on movement in the retail prices index during the 12 months to September.

Local government

The term local government in this booklet also covers police and fire civilian staff, the Mayor of London and members of the London Assembly, the chairman of the London Transport Users' Committee, employees of a national probation service local board or probation trust, a registration officer, a coroner, a rent officer, employees of a valuation tribunal, employees of a passenger transport authority, employees of the Environment Agency, non-teaching employees of an academy, an education action forum or a further or higher education corporation.

Lower earnings limit

This is the amount of pay that you can receive before you pay any national insurance contributions.

The lower earnings limit for 2008/2009 is £90 per week or £390 per month. It is usually increased annually by Parliament.

Nominated cohabiting partner

To be able to nominate a cohabiting partner, of either opposite or same sex, to receive a survivor's pension on your death, your relationship has to meet certain conditions laid down by the LGPS. Information on these conditions, and how to make a nomination, are set out in the section on '*Life Cover – Protection For Your Family*' on page 52.

Pay

The pay on which you normally pay pension contributions (gross pay before deductions) is your normal salary or wages plus any shift allowance, bonuses, contractual overtime, maternity pay, paternity pay, adoption pay and any other taxable benefit specified in your contract as being pensionable. You do not pay contributions on any non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

SERPS (state earnings-related pension scheme)

This is the extra earnings-related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically contracted out of SERPS, and most paid lower national insurance contributions as a result. SERPS was replaced by the state second pension (S2P) from 6 April 2002.

State pension age

This is the earliest age you can receive the state basic pension and is currently age 65 for men and 60 for women, but from 2010 will change for women, so that by 2020 state pension age will have been equalised at age 65.

State second pension (S2P)

The state second pension (formerly SERPS) is the additional state pension, payable from state pension age by the Department for Work and Pensions. Initially, S2P will be an earnings-related pension but from April 2009 it begins building up as a flat rate pension, achieving full flat rate accrual by around 2030. LGPS members are contracted-out of S2P and most pay lower national insurance contributions as a result. More information on the state

second pension (S2P) is available from the DWP Pensions Service.

The Fund

The LGPS is run by administering authorities, for example, county councils, in accordance with regulations approved by Parliament. Each administers their own fund, into which all contributions are paid. Wolverhampton City Council is the administering authority for the West Midlands Pension Fund (WMPF). Every three years, independent actuaries carry out a valuation of each fund and set the rate at which the participating employers must contribute to fully fund the payment of Scheme benefits for that fund's membership.

Transfer value

A transfer value is a cash sum representing the value of your pension rights.

Upper earnings limit

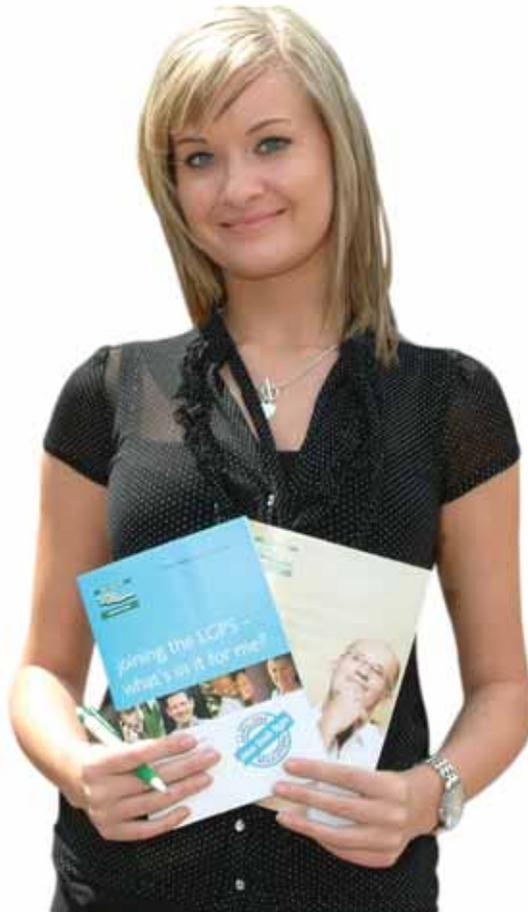
This is the amount of pay beyond which you cease to pay the full, contracted-out rate of national insurance contributions. The upper earnings limit for 2008/2009 is £770 per week or £3,337 per month. It is usually increased annually by Parliament. On earnings above the upper earnings limit you only pay a 1% national insurance contribution.

More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund at the address shown on the back page of this booklet.

The national website for members of the LGPS can be found at www.lgps.org.uk

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the section '*Help With Pension Problems*' on page 83.





Information produced by the Fund can be made available in several formats including large sight text, Braille and several community languages. If you have any special requirements or would like to speak face to face with a member of staff, please contact us to arrange how we may best meet your needs.

Please remember that special requirements may take a little longer than normal to organise, but you have our assurance that we will do our best to ensure you receive the information in the most appropriate and efficient manner possible.

Data Protection

To protect any personal information held on computer, Wolverhampton City Council is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact the City Council's Data Protection Officer on (01902) 554498, via e-mail at dataprotection@wolverhampton.gov.uk

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.



Text printed on FSC Greencoat Silk 130gsm, 80% recycled post-consumer fibre, 10% TCF (Totally Chlorine Free) virgin fibre 10% ECF (Elemental chlorine free) fibre

Contact information

Write to us at:

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

Visit our website at:

wmpfonline.com

Email us on:

PensionFundEnquiries@wolverhampton.gov.uk

Telephone our Helpdesk on:

0300 111 1665

Send us a text on:

Text WMPF + your message to 60066.
Standard short code network charges apply.

Fax us on:

0845 230 1565

Lines are open during the following times:

8:30am to 5.00pm Monday-Thursday

8:30am to 4.30pm Friday

Minicom/Typetalk:

01902 554607

Calls may be monitored for training purposes

