

WEST MIDLANDS



PENSION FUND

All about your

# scheme

Local Government Pension Scheme (LGPS)



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## 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 on 1 April 2008 or who have since joined. The booklet was up-to-date at the time of publication in June 2010.

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.

The booklet explains the benefits available to you when you join the Local Government Pension Scheme. 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 [lgps.org.uk](http://lgps.org.uk)

## View all our Fund publications online...

Reports, forms, newsletters, guides and all Scheme information relating to the West Midlands Pension Fund is available on our brand new website at [wmpfonline.com](http://wmpfonline.com)



# About the Local Government Pension Scheme (LGPS)

## 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.

# About the Local Government Pension Scheme

## 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 [timeline.lge.gov.uk/](https://www.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.

# About the Local Government Pension Scheme

## 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



## 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 when you give up working. 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 on the following pages.

### Local Government Pension Scheme

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



# Your Pensions Choice

Highlights of the LGPS are:



## A secure pension

The benefits you get when you retire are based on your Scheme membership 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 cost of living 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.

# Your Pensions Choice



## 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.

## Your Pensions Choice

### **State second pension (S2P)**

The state second pension (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 was an earnings-related pension but, from April 2009, it began 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 realised 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 the 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.

## Your Pensions Choice

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 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 102.

### **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.

# Your Pensions Choice

## 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 2010.

### Standard pay band table

| If your whole-time pay rate is: | You pay a contribution rate of: |
|---------------------------------|---------------------------------|
| Up to £12,600                   | 5.5%                            |
| £12,601 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 the cost of living.

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 in a role that requires this type of work pattern (eg, 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.

## Your Pensions Choice

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, any payment made by way of compensation to achieve equal pay, 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.

### **What does my employer pay?**

Your employer pays 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 remainder. 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.

### **Do I receive tax relief on my contributions?**

The LGPS is fully approved by HM Revenue and Customs, 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.

## Your Pensions Choice

### 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 earnings limit and the upper accruals point, 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 opposite). 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 rights

| 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 and/or those for your dependants by paying additional contributions to buy extra LGPS pension, or by making payments to the Scheme's additional regular contributions (ARC) 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 34.



## Your Pensions Choice

### **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 ARC arrangement).

However, tax relief will only be given on contributions up to 100% of your taxable earnings. Additionally, under HM Revenue and Customs 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 102.

### **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 the paragraph on '*Who can join?*' on page 12).

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 in England or Wales cannot be joined with rights built up as an employee in England or Wales 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.

## Your Pensions Choice

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 22.

### **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 rejoined the Scheme and chosen to keep earlier LGPS pension rights which you built up in England and Wales separate, you will not normally be able to transfer those earlier rights 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 in England or Wales cannot be joined with rights built up as an employee in England or Wales and vice versa.

## Your Pensions Choice

### **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 on *'Leaving Your Job Before Retirement'* on page 48.

### **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. If you are in receipt of an ill-health pension which is of the type that is stopped if you are in gainful employment, your pension may be affected and you must inform the employer who awarded you that pension. In either case, a check will then be made to see whether the pension you are being paid is unaffected or should be reduced or stopped.



# Your Pensions Choice

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

**WHAT WE'LL SEND YOU**  
**YOUR EMPLOYER**

Your employer will usually start to deduct pension contributions from your pensionable pay automatically following your decision to join. It is important that you complete this form to tell the fund administrators the relevant information with regard 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 5665, email us at PensionFundInquiries@wolverhampton.gov.uk or visit our website at [employees.wolverhampton.gov.uk](http://employees.wolverhampton.gov.uk)

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: \_\_\_\_\_  
 Postcode: \_\_\_\_\_  
 Title:  Mr  Mrs  Miss  Other \_\_\_\_\_ Tel. no. Home: (0) \_\_\_\_\_  
 Work: (0) \_\_\_\_\_  
 Mobile: (0) 7 \_\_\_\_\_  
 Email: \_\_\_\_\_  
 Please specify 'Other' if: \_\_\_\_\_  
 Gender:  Male  Female  
 Date of birth: \_\_\_\_\_  
 Married  Single  Married  Divorced  Widowed  Civil partner/PP  Occupation: \_\_\_\_\_  
 Do you currently have any other form of local government employment? Yes  No   
 If yes, please give details: \_\_\_\_\_  
 Name of employer: \_\_\_\_\_

**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 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.**

**P10**

## Joining form

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**

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

**PAYMENT OF DEATH BENEFITS**

As a member of the Local Government Pension Scheme you may nominate this form in order to nominate a beneficiary after you would like to benefit from any lump-sum payment under the Scheme regulations at a result of your death. Please complete this form only if you wish to nominate a beneficiary to whom any payment due may be directed following your death. The process of making a nomination is to send information to the Local Government Pension Scheme administrators in order to ensure any payments due to you, following the normalised death benefit calculation, are paid to the person you nominate. It is your responsibility to ensure that your nomination and any payment due to you, following the normalised death benefit calculation, are paid to the person you nominate. The nomination will be made subject to your death benefit calculation. If you wish to see the information that will be used for the nomination and to make any changes, you should contact the Local Government Pension Scheme administrators. You can also contact your employer for more information.

**TO THE SCHEME ADMINISTRATORS**

In the event of your death it is your wish that any lump-sum death benefit payable under the appropriate Local Government Pension Scheme regulations may be paid to the person named as **YOUR BENEFICIARY**.

**PERSONAL DETAILS**

Surname: \_\_\_\_\_ Home address: \_\_\_\_\_  
 First names: \_\_\_\_\_  
 Postcode: \_\_\_\_\_  
 Title:  Mr  Mrs  Miss  Other \_\_\_\_\_ Tel. no. Home: (0) \_\_\_\_\_  
 Work: (0) \_\_\_\_\_  
 Mobile: (0) 7 \_\_\_\_\_  
 Email: \_\_\_\_\_  
 Please specify 'Other' if: \_\_\_\_\_  
 Gender:  Male  Female  
 Date of birth: \_\_\_\_\_  
 Married  Single  Married  Divorced  Widowed  Civil partner/PP  Occupation: \_\_\_\_\_  
 Do you currently have any other form of local government employment? Yes  No   
 If yes, please give details: \_\_\_\_\_  
 Name of employer: \_\_\_\_\_

**PERSONAL DETAILS**

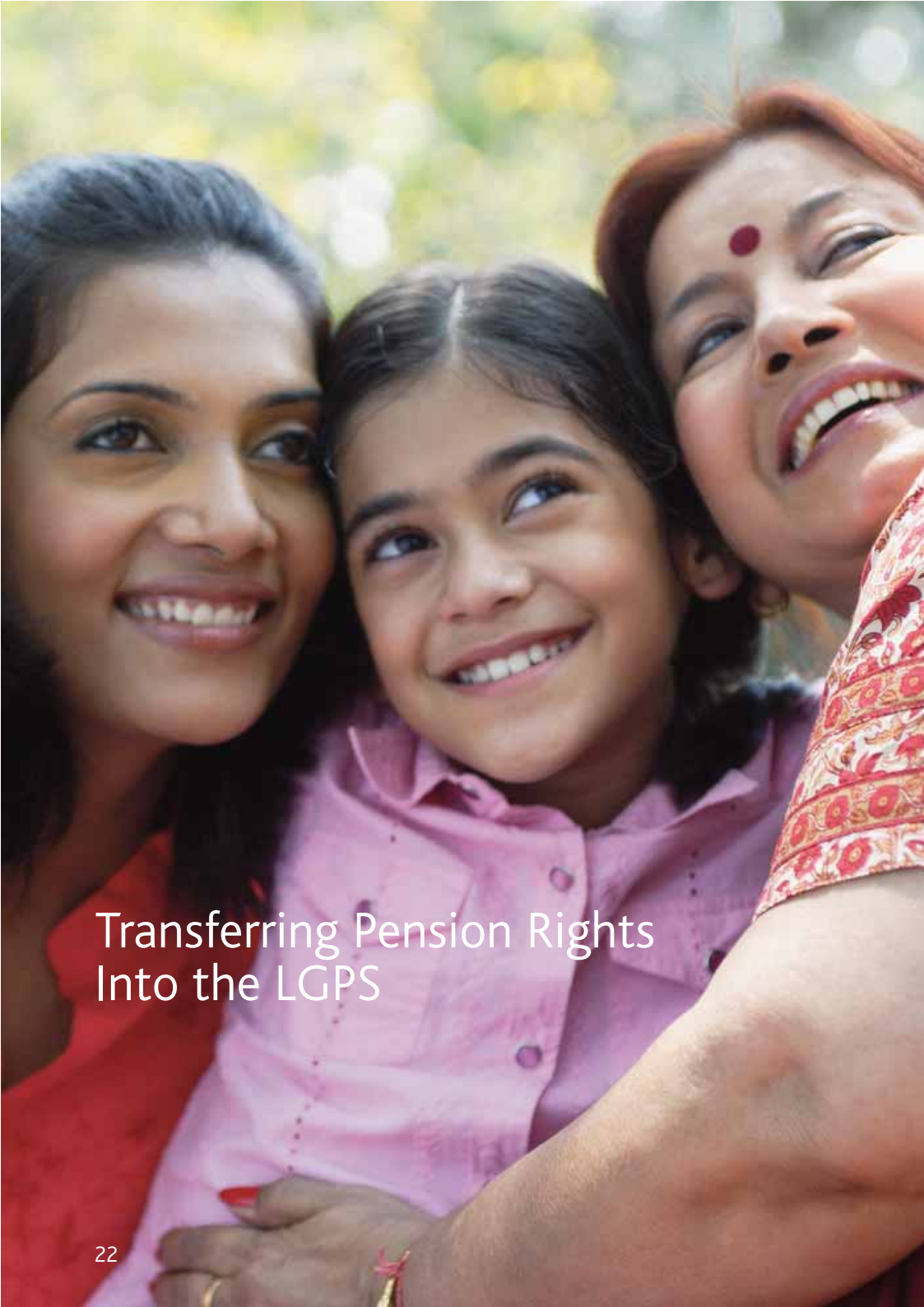
Surname: \_\_\_\_\_ Home address: \_\_\_\_\_  
 First names: \_\_\_\_\_  
 Postcode: \_\_\_\_\_  
 Title:  Mr  Mrs  Miss  Other \_\_\_\_\_ Tel. no. Home: (0) \_\_\_\_\_  
 Work: (0) \_\_\_\_\_  
 Mobile: (0) 7 \_\_\_\_\_  
 Email: \_\_\_\_\_  
 Please specify 'Other' if: \_\_\_\_\_  
 Gender:  Male  Female  
 Date of birth: \_\_\_\_\_  
 Married  Single  Married  Divorced  Widowed  Civil partner/PP  Occupation: \_\_\_\_\_  
 Do you currently have any other form of local government employment? Yes  No   
 If yes, please give details: \_\_\_\_\_  
 Name of employer: \_\_\_\_\_

Upon completion return to:  
 West Midlands Pension Fund P10 Box 2046, WOLVERHAMPTON, WV1 1SR

## Death benefit forms

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. The form, if not included with this booklet, is





## Transferring Pension Rights Into the LGPS

# 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 rejoined the scheme and chosen to keep earlier LGPS pension rights which you built up in England and Wales separate, you will not normally be able to transfer those earlier rights to your new job.

## Transferring Pension Rights Into the LGPS

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 in England or Wales cannot be joined with rights built up as an employee in England or Wales 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 years' pay on leaving the LGPS.





## Transferring Pension Rights Into 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 if you apply for the transfer within 12 months of joining the LGPS).

## Transferring Pension Rights Into the LGPS

### 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 HM Revenue and Customs 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 102.

### I have paid additional voluntary contributions (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.

# Transferring Pension Rights Into the LGPS

## 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?

You may have lost 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  
Telephone: 0845 600 2537

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

## More information

For more information on the calculation of LGPS benefits and how membership counts, see the section on '*Your LGPS Retirement Benefits*' on page 74.

For more information on transferring or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet).

The national website for members of the LGPS can be found at [lgps.org.uk](https://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 110.



Leave of Absence  
and the LGPS

## 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.



### 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

## Leave of Absence and the LGPS

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 (KIT) 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.

## Leave of Absence and the LGPS



### 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 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.



## Leave of Absence and the LGPS

### What if I am paying extra?

If you have entered into a contract to buy extra pension (additional regular contributions), to count pre-6 April 1988 membership for a surviving nominated cohabiting partner's pension, 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 additional voluntary contributions (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.

If you have entered into a contract to buy extra pension (additional regular contributions), to count pre-6 April 1988 membership for a surviving nominated cohabiting partner's pension, or additional LGPS membership (added years) and you are absent due to sickness you will continue to pay those extra contributions while you remain on full pay.



## Leave of Absence and the LGPS

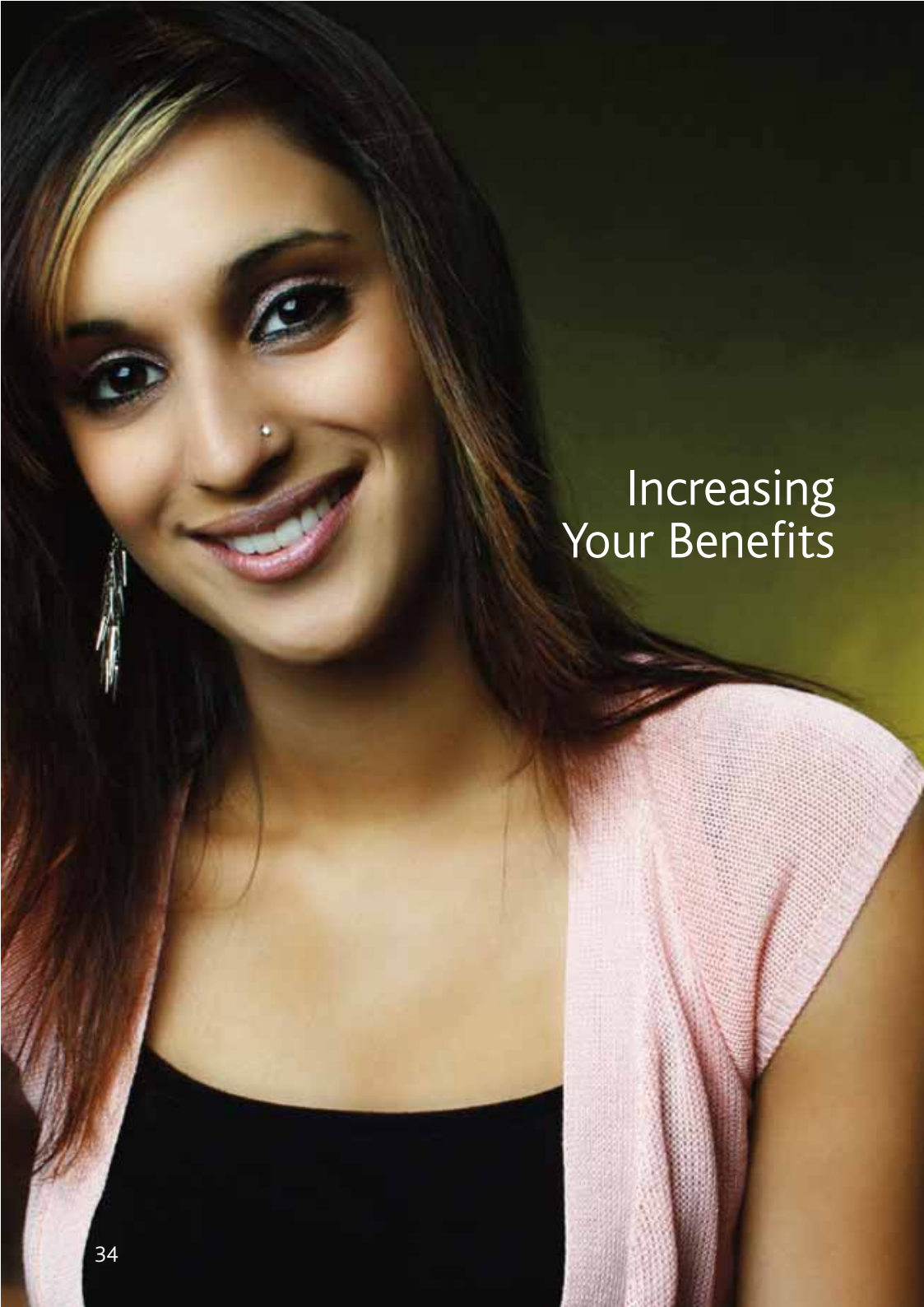
You will not be required to pay those extra contributions during a period of sick leave on reduced or no pay. If you are paying ARCs you will continue to pay the ARCs on any pay received. If you are paying AVCs for life assurance cover, you should arrange for these to continue during any period of unpaid sick leave, otherwise the life assurance cover may cease.

### More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet).

The national website for members of the LGPS can be found at [lgps.org.uk](https://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 110.



## Increasing Your Benefits

## Increasing Your Benefits

In this section we explain how, as a member of the Local Government Pension Scheme, 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 HM Revenue and Customs 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 later under the heading *'Do the tax rules on pension savings limit the extra I can pay?'* on page 45.

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.

## Increasing Your Benefits

### 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 and for 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 (normally at your highest rate) automatically through the payroll. You qualify for 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.



## Increasing Your Benefits

The cost to you of buying extra pension is calculated in accordance with guidance issued by the Government Actuary's Department (GAD) which can be reviewed by the Government actuary at any time. The extra pension you are buying will increase in line with the cost of living, 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 you are retired 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 74.

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

## Increasing Your Benefits

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 (details can be found on the back page of this booklet). You may be required to undergo a medical examination at your own expense before being allowed to buy extra pension.

### **Paying additional survivor benefit contributions (ASBCs) to increase the benefit paid to a nominated cohabiting partner**

A survivor's pension for a nominated cohabiting partner is normally based on membership from 6 April 1988, but if you have membership before 6 April 1988 you can pay additional contributions so that some or all of that earlier membership counts in calculating a surviving nominated cohabiting partner's pension.

An option to buy extra has to be made by 31 March 2011. For more details and a quotation, please contact the Fund (details can be found on the back page of this booklet). You may be required to undergo a medical examination at your own expense before being allowed to buy such extra membership.

## Increasing Your Benefits

### **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 to you when you retire. 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 (normally at your highest rate) automatically through the payroll. You qualify for 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 pension 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.

## Increasing Your Benefits

**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 purchase factors which do not tend to change.



## Increasing Your Benefits

### ▶ **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<sup>1</sup>. 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. To find out how benefits are calculated on this membership, see the section '*If You Joined the LGPS Before 1 April 2008*' on page 114.

**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)**

These are similar to in-house AVCs but are 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.

<sup>1</sup> 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 £450,000 (2010/2011 figure) less the value of any other pension rights you have in payment.

## Increasing Your Benefits

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<sup>2</sup>.

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.

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

<sup>2</sup> Provided the lump-sum does not exceed £450,000 (2010/2011 figure) less the value of any other pension rights you have in payment.

## Increasing Your Benefits

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<sup>2</sup>, 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 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 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 for added years on leaving or retirement, see the sections on '*Leaving Your Job Before Retirement*' on page 48 and '*Your LGPS Retirement Benefits*' on page 74.

Even if you are buying extra years, you can still pay additional contributions to buy extra LGPS pension (ARCs) and/or pay additional survivor benefit contributions (ASBCs), additional voluntary contributions (AVCs), or freestanding AVCs (FSAVCs), or contribute to a concurrent personal pension plan or stakeholder pension scheme, if you wish.

## Increasing Your Benefits

### 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), to count pre-6 April 1988 membership for a surviving nominated cohabiting partner's pension, 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.



## Increasing Your Benefits

If you are paying additional voluntary contributions (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.

If you have entered into a contract to buy extra pension (ARCs), to count pre-6 April 1988 membership for a surviving nominated cohabiting partner's pension, or extra LGPS membership (added years) and you are on sick leave 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 during sick leave.

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

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

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

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.

## Increasing Your Benefits

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) exceeds your lifetime allowance a tax charge will be made against the excess.

The lifetime allowance for 2010/2011 is £1.8 million.

The annual allowance is the amount your pension savings can increase by in any one year (disregarding any increase in the year that all your benefits from the Scheme become payable) without paying extra tax. The annual allowance for 2010/2011 is £255,000 (limit frozen until at least April 2016) and years run from 1 April to 31 March.

The special annual allowance charge has been introduced for 2009/2010 and 2010/2011, but most Scheme members will not be affected by this.

The special annual allowance charge only applies if you increase the level of your normal pension savings, and the value of the additional savings is greater than £20,000, and in the year you increase your pension savings, or one of the previous two tax years, you have an annual income of £150,000 or more (£130,000 or more from 9 December 2009).

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 102.

## Increasing Your Benefits



### More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet).

The national website for members of the LGPS can be found at [www.lgps.org.uk](http://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 110.

A man with glasses and a grey zip-up sweater stands in a rural setting. In the background, there is a red barn, a stone wall, and a body of water under a cloudy sky.

## Leaving Your Job Before Retirement



## 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 the cost of living (RPI).
- › 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 a deduction for tax and the cost, if any, 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.

## Leaving Your Job Before Retirement

### 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.
- ▶ Any extra membership you have bought with additional contributions or by converting in-house additional voluntary contributions (AVCs) into membership.
- ▶ Any extra membership awarded by your employer.

## Leaving Your Job Before Retirement

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.

Your final pay is usually the pay in respect of your final year<sup>3</sup> 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 non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice or pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any payment made by way of compensation to achieve equal pay, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

<sup>3</sup> Grossed up to a full year's pay if you did not receive pay for a full year.

## Leaving Your Job Before Retirement

**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 your pay is reduced or increases to your pay are restricted** in your last ten years of continuous employment with your employer because you downgrade or move to a job with less responsibility, or as a result of a job evaluation/equal pay exercise, or because of a change in what is specified as pensionable pay in your contract, or is restricted for some other reason, you have the option to have your benefits based on the average of

any three consecutive years in the last 13 years (ending on a 31 March). Such an option must be made to the Fund no later than one month before leaving. You cannot make use of this option to use earlier years' pay in working out your benefits if the reduction or restriction to your pay was as a result of the loss of a temporary increase in pay, or resulted from a reduction in your grade in order to take retirement benefits on flexible retirement.

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.

## Leaving Your Job Before Retirement

**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<sup>4</sup>.

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

**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 ten years working half-time, ie, 18<sup>1</sup>/<sub>2</sub> 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:**

$5 \text{ years} \times 1/60\text{th} \times £18,000 = £1,500$

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

<sup>4</sup>Limited to £450,000 (2010/2011 figure) less the value of any other pension rights you have in payment.

## Leaving Your Job Before Retirement

**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 an extra lump-sum as described above. For more information and examples, see the section *'If You Joined the LGPS Before 1 April 2008'* on page 114.

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 96.



## Leaving Your Job Before Retirement

### What if I paid extra?

If you have been paying extra contributions your contributions will cease when you leave the LGPS. If you leave with deferred benefits, you will benefit from those extra contributions.

#### **If you are buying extra LGPS pension by paying additional regular contributions (ARCs).**

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)**

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; the extra benefits will be calculated on the same basis you had agreed to buy them.

If you move to a new employer in the LGPS in England or Wales 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)**

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.

#### **If you are paying additional contributions to buy extra nominated cohabiting partner's survivor benefits**

The period of your pre-6 April 1988 membership that you have paid extra for at the time of leaving will be included in the calculation of any survivor's pension payable to a nominated cohabiting partner on your death.

## Leaving Your Job Before Retirement

### 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 the section '*If You Joined the LGPS Before 1 April 2008*' on page 114.

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, ie, 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.

| Number of years paid early | Pensions reduction |       |
|----------------------------|--------------------|-------|
|                            | Men                | Women |
| 0                          | 0%                 | 0%    |
| 1                          | 6%                 | 5%    |
| 2                          | 11%                | 10%   |
| 3                          | 16%                | 15%   |
| 4                          | 20%                | 19%   |
| 5                          | 24%                | 23%   |

**If you were a member of 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 the section '*If You Joined the LGPS Before 1 April 2008*' on page 114.



## Leaving Your Job Before Retirement

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 take early payment of deferred benefits under either of the above two methods the deferred benefits 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)/65 (men), the GMP element (if any) of your pension must be paid from that date (unless you are still in employment) 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 as a result of which you have incurred some monetary obligation to the employer.
- › 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.

## Leaving Your Job Before Retirement



### How do deferred benefits keep their value?

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

If your benefits are paid on or after age 55, or if your benefits 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 the retail prices index (RPI).

## Leaving Your Job Before Retirement

### Do the tax rules on savings cover deferred benefits?

There are HM Revenue and Customs 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 2010/2011 is £1.8 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 any increase in value in the year in which they are paid). The annual allowance for 2010/2011 is £255,000 (limit frozen until at least April 2016) and years run from 1 April to 31 March. 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 HM Revenue and Customs controls on your pension savings from the section on '*Tax Controls and Your LGPS Benefits*' on page 102.

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 we can work out whether or not to deduct a recovery tax charge.

## Leaving Your Job Before Retirement

### 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, if not included with this booklet, 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, ie, to your estate. Your personal representatives will need to inform HM Revenue and Customs if, with the lump-sum death grant, the value of all your pension benefits – but not including any spouse's, civil partner's or dependant's pensions – exceeds the HM Revenue and Customs lifetime allowance. Under HM Revenue and

Customs 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 102.

**A survivor's 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 the cost of living (RPI).



## Leaving Your Job Before Retirement

› **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:** the pension payable is equal to 1/160th of your final pay times the membership your deferred pension is based on.



› **For your 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, plus any of your membership before 6 April 1988 that you have paid additional contributions for so that it counts towards a nominated cohabiting partner's pension.

If your membership in the LGPS includes a guaranteed minimum pension (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.

## Leaving Your Job Before Retirement

**Children's pensions** are payable to eligible children, and increase every year in line with the cost of living (RPI). 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 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.

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 HM Revenue and Customs 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

## Leaving Your Job Before Retirement

'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 cost of living 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<sup>5</sup>.

<sup>5</sup> You cannot transfer membership built up as an employee in England or Wales to membership in the Scheme as a councillor or mayor in England or Wales, and vice versa.

# Leaving Your Job Before Retirement

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.

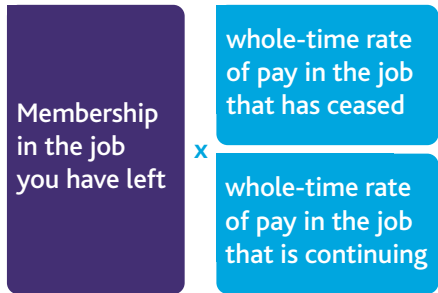
If you choose to transfer them, you will have one set of benefits which will be based on your entire period of LGPS membership and your final pay in your new job.

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 do not join the benefits together you will not normally be able to join the earlier benefits with any subsequent job you may take up in the future in which you are a member of the LGPS in England or Wales.

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:





## Leaving Your Job Before Retirement

### 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.

### More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet).

The national website for members of the LGPS can be found at [www.lgps.org.uk](http://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 110.

A photograph of a family of three sitting on a bed. A woman on the left and a man on the right are both looking down at an open book held by the man. A young child with blonde hair is lying between them, also looking at the book. The child is wearing a blue long-sleeved shirt and blue pants. The woman is wearing a light blue tank top. The man is wearing a white t-shirt. The background is a white pillow and a striped bedsheet.

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 the cost of living (RPI).

› **For your husband, wife or civil partner:** 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 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, plus any of your membership before 6 April 1988 that you have opted to pay additional contributions for so that it counts towards a nominated cohabiting partner's pension.

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 72.

## Life Cover and Financial Protection For Your Family

**Children's pensions** are payable to eligible children and increase every year in line with the cost of living (RPI).

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.

In determining survivor's and children's pensions for part-time employees who die in service, the membership you would have built up to age 65 is calculated on the assumption you would have remained part-time through to then.

You should read the section on '*Your LGPS Retirement Benefits*' on page 74 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.

## Life Cover and Financial Protection For Your Family

- ▶ **buy extra nominated cohabiting partner survivor benefits**, then the whole of your pre-6 April 1988 membership that you were paying additional contributions for will be included in calculating any survivor pension payable to a nominated cohabiting partner, even if you have not completed full payment for it.

If you pay additional voluntary contributions (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 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** 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 the cost of living (RPI).

## Life Cover and Financial Protection For Your Family

› **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:** the pension payable is equal to 1/160th of your final pay times the membership your pension is based on.

› **For your 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, plus any of your membership before 6 April 1988 that you have paid additional contributions for so that it counts towards a nominated cohabiting partner's pension.

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 72.



## Life Cover and Financial Protection For Your Family

**Children's pensions** are payable to eligible children and increase every year in line with the cost of living (RPI).

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 34 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, ie, to your estate. If you have not already made your wishes known, or you wish to update/change a previous nomination, a form is available from the Fund. Remember to complete a new form if your wishes change.

## Life Cover and Financial Protection For Your Family

### 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 from the Fund.

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,



## Life Cover and Financial Protection For Your Family

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 guaranteed minimum pension (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 need to inform HM Revenue and Customs if, with the lump-sum

death grant, the value of all your pension benefits – but not including any spouse's, civil partner's or dependant's pensions - exceeds the HM Revenue and Customs lifetime allowance. Under HM Revenue and Customs 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 102.

### More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet).

The national website for members of the LGPS can be found at [www.lgps.org.uk](http://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 110.

# Your LGPS Retirement Benefits



## Your LGPS Retirement Benefits

You can look forward to enjoying a guaranteed package of benefits when you retire.

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 the cost of living 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 the section '*If You Joined the LGPS Before 1 April 2008*' on page 114.

## Your LGPS Retirement Benefits

### 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.
- › Any extra membership you have bought with additional contributions or by converting in-house additional voluntary contributions (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.



## Your LGPS Retirement Benefits

### 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<sup>6</sup> 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 non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice or pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any payment made by way of compensation to achieve equal pay, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

**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.

<sup>6</sup> Grossed up to a full year's pay if you did not receive pay for a full year.

## Your LGPS Retirement Benefits

**If your pay is reduced or increases to your pay are restricted** in your last ten years of continuous employment with your employer because you downgrade or move to a job with less responsibility, or as a result of a job evaluation/equal pay exercise, or because of a change to what is specified as pensionable pay in your contract, or is restricted for some other reason, you have the option to have your final pay calculated as the average of any three consecutive years in the last 13 years (ending on a 31 March). Such an option must be made to the Fund no later than one month before leaving. You cannot make use of this option to use earlier years' pay in working out your benefits if the reduction or restriction to your pay was as a result of the loss of a temporary increase in pay, or resulted from a reduction in your grade in order to take retirement benefits on flexible retirement.

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<sup>7</sup>. 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.

<sup>7</sup> Limited to £450,000 (2010/2011 figure) less the value of any other pension rights you have in payment.

## Your LGPS Retirement Benefits

Here are examples of how your pension and lump-sum option are 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 years pay of £18,000.

#### Their annual pension is:

$20 \text{ years} \times 1/60\text{th} \times £18,000 = \mathbf{£6,000}$

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, ie, 18½ 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:

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

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

Their **reduced annual pension** is:  
 $£3,000 \text{ less } £750 = \mathbf{£2,250}$

And they will get a **tax-free lump-sum** of:  $£750 \times 12 = \mathbf{£9,000}$

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

## Your LGPS Retirement Benefits

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 '*When you can retire and draw your benefits*' on page 89).

There are HM Revenue and Customs controls on the pension savings you can have before you become subject to a tax charge (see '*More about your LGPS retirement benefits*' on page 84).

**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 the section '*If You Joined the LGPS Before 1 April 2008*' on page 114.

### 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/they 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.



## Your LGPS Retirement Benefits

If you have a guaranteed minimum pension (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.

### **What if I am paying extra?**

#### **If you are buying extra LGPS pension by paying additional regular contributions (ARCs)**

You will be credited with the extra pension that you have paid for. This will increase the value of your retirement benefits.

But if you are paying ARCs when you retire and 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.

If you choose to retire early and draw your benefits before age 65, or you are retired 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.

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.

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

You will be credited with the extra years of membership that you have paid for and you will receive extra retirement benefits calculated on the same basis that you agreed to buy them – but see page 82 for the rules on flexible retirement.

## Your LGPS Retirement Benefits

If you retire on ill-health grounds while paying for extra years, you will normally be credited with the whole extra period of membership that you set out to buy, even if you have not completed full payment for it.

If you retire early because of redundancy or business efficiency while paying for extra years, you will have the opportunity to pay the remaining contributions due in a lump-sum in order to complete your contract provided you retire at least 12 months after making your election to pay extra.

If you draw your benefits on flexible retirement and you continue to pay for any extra years you are buying, the benefits from these extra years will not be paid until you finally retire. However, if you opt to stop paying the extra contributions before you take flexible retirement you will be credited with the extra years of membership that you have paid for and this will increase the value of your benefits paid on flexible retirement.

If your benefits when you draw them are reduced for early payment then your benefits from the added years are reduced in the same way.

### **If you are paying in-house additional voluntary contributions (AVCs)**

If you are paying AVCs arranged through the LGPS (in-house AVCs), your contributions will cease when you retire (or cease two days before age 75 if you carry on in work beyond that age).

Here are the different ways you can use your in-house AVC fund:

#### **› Buy an annuity**

This is where an insurance company, bank or building society of your choice takes the value of 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. An annuity is paid completely separately to your LGPS benefits.

## Your LGPS Retirement 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 inflation proofed pension and dependants' benefits and is based on set purchase factors which do not tend to change.

### › 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. To find out how benefits are calculated on this membership, see the section '*If You Joined the LGPS Before 1 April 2008*' on page 114.

### › 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<sup>8</sup>. 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.

### If you are paying for extra life cover through AVCs

Any extra life cover paid for through AVCs will stop on leaving (or cease two days before age 75 if you carry on in work beyond that age). You can no longer pay AVCs after leaving/after age 75.

<sup>8</sup> 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 £450,000 (2010/2011 figure) less the value of any other pension rights you have in payment.

## Your LGPS Retirement Benefits

### **If you are paying additional contributions to buy extra nominated cohabiting partner's survivor benefits**

The extra benefit that you have paid for will be included in calculating any survivor pension payable to a nominated cohabiting partner on your death.

But if you are still paying these when you retire, only that proportion of the extra benefit you have paid for will count, unless you qualify for the type of ill-health pension where your benefits are based on enhanced membership. If so, the whole of the extra benefit you set out to buy will be included in calculating any survivor pension payable to a nominated cohabiting partner, even if you have not completed full payment for it.

You can find out about more about the ways you can pay extra contributions to increase your retirement benefits from the section on *'Increasing Your Benefits'* on page 34.

### **More about your LGPS retirement benefits**

#### **What are the HM Revenue and Custom (HMRC) tax controls on my LGPS benefits?**

There are HMRC controls on the pension savings you can have before you become subject to a tax charge when you draw them (over and above any tax due under the PAYE system on a pension in payment).

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 2010/2011 is £1.8 million. Most Scheme members' pension savings will be significantly less than the lifetime allowance.

## Your LGPS Retirement Benefits

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 HMRC controls on your pension savings from the section on *'Tax Controls and Your LGPS Benefits'* on page 102.

The Fund will let you know the value of your LGPS benefits on retirement and ask you about any other pensions you may have in payment, so we can work out whether or not to deduct a recovery tax charge. If you do not provide this information promptly it could delay the payment of your pension.

Also, under HMRC rules, if the LGPS makes an unauthorised payment or if you pay some or all of your LGPS lump-sum back into a pension arrangement, there will be a tax charge.

### **How does my pension keep its value?**

Your LGPS pension increases in line with the retail prices index every year throughout your retirement. As the cost of living increases, so will your pension.

If you retire early before age 55, apart from ill-health retirement, your pension is normally paid at a flat rate until age 55, when it will be increased to the level it would have been, had it been increased every year by the rise in the cost of living since your early retirement. If you are retired on ill-health grounds, your pension is increased each year regardless of your age.

### **Guaranteed minimum pension (GMP)**

If your membership in the LGPS includes a GMP, at age 60 (women)/ 65 (men) or at the date of your retirement if later, your LGPS pension for membership prior to 6 April 1997 will be compared with your GMP and increased to the rate of your GMP should this be higher. In most cases, your LGPS pension is higher than your GMP.

## Your LGPS Retirement Benefits

If you retire and choose not to draw your pension immediately, the GMP element (if any) of your pension must be paid from age 60 (women)/ 65 (men), unless you are still in some employment at that time and consent to postponement of payment of your GMP.

### **Pension sharing order/earmarking order**

If your LGPS benefits are subject to a 'pension sharing order' or 'earmarking 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 96.

### **How will my pension be paid?**

Monthly pension payments will be made direct into your bank or building society account. Similar arrangements can also be made to pay your pension into your account should you move abroad. The Fund will provide you with further information regarding payment of pensions on retirement.

### **What if I get another job after I retire?**

If you get a job in local government or with an employer that participates in the LGPS, your pension may be reduced or suspended in accordance with the policy determined by your administering authority. Under the LGPS, this is at the discretion of your administering authority and their policy on it must be included in a policy statement. If you get a job outside of local government with an employer that does not participate in the LGPS, your LGPS pension will not normally be affected. However, if you are awarded an ill-health pension of the type that is stopped if you are in gainful employment, your pension may be affected if you get a job and you must inform the employer who awarded you that pension.

...and...

### **The Fund must:**

- ▶ pay interest on lump-sum benefits that are paid more than one month after they could have been paid.
- ▶ pay interest on pensions that are paid more than a year after they should have been paid.

## Your LGPS Retirement 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 as a result of which you have incurred some monetary obligation to your employer.
- › 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.



## 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.

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 is changing – see pages 88 and 126 for more details.

# Your LGPS Retirement Benefits

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





## Your LGPS Retirement Benefits

### When you can retire and draw your benefits

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

You may decide to retire earlier or later.

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 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 the section '*If You Joined the LGPS Before 1 April 2008*' on page 114.

## Your LGPS Retirement Benefits

### 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 under the heading '*How are my retirement benefits worked out?*' (see page 78) and are then reduced. How much your benefits are reduced by depends on how early you draw them.

**If you were a member of 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 the section '*If You Joined the LGPS Before 1 April 2008*' on page 114.

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, ie, the period between 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 |       |
|-------------------------|--------------------|-------|
|                         | Men                | Women |
| 0                       | 0%                 | 0%    |
| 1                       | 6%                 | 5%    |
| 2                       | 11%                | 10%   |
| 3                       | 16%                | 15%   |
| 4                       | 20%                | 19%   |
| 5                       | 24%                | 23%   |

Your employer can agree not to make any reduction 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, ie, 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.

## Your LGPS Retirement Benefits

### 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.



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.

# Your LGPS Retirement Benefits

## 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.

## Your LGPS Retirement Benefits

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.

# Your LGPS Retirement Benefits

## 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.

### **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 under the heading '*How are my retirement benefits worked out?*' (see page 78) will be reduced for early payment.

**If you were a member of 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 the section '*If You Joined the LGPS Before 1 April 2008*' on page 114.

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.

## Your LGPS Retirement Benefits

If you take flexible retirement after age 65, your benefits initially calculated as detailed under the heading '*How are my retirement benefits worked out?*' (see page 78) will be increased to reflect late payment.

### More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet).

The national website for members of the LGPS can be found at [www.lgps.org.uk](http://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 110.

A hand is shown holding a heart-shaped object with a corrugated, metallic texture. The background is a solid, vibrant red. The lighting is dramatic, highlighting the edges of the heart and the texture of the object.

# Pensions and Divorce or Dissolution of a Civil Partnership



## 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 during any divorce or dissolution of a civil partnership. 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 said that you would like your ex-wife, ex-husband or ex-civil partner to receive any lump-sum death grant payable on your death by completing and returning a nomination form, this will remain in place unless you change it. If your wishes change, contact the Fund for a new 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.

## Pensions and Divorce or Dissolution of a Civil Partnership

### 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.

## Pensions and Divorce or Dissolution of a Civil Partnership



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 the retail prices index (RPI) 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 to top up your benefits by buying extra Scheme pension, paying additional voluntary contributions (AVCs) or freestanding AVCs (FSAVCs), 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 34.

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 2010/2011 is £1.8 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 102.

## Pensions and Divorce or Dissolution of a Civil Partnership

### 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<sup>9</sup> 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.

<sup>9</sup>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).

## Pensions and Divorce or Dissolution of a Civil Partnership

### 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.



### More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet).

The national website for members of the LGPS can be found at [www.lgps.org.uk](http://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 110.



## Tax Controls and Your LGPS Benefits

## 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 £3,600 if greater) into any number of concurrent pension arrangements of your choice and be eligible for tax relief on the contributions.

There are three main allowances for pension savings: an annual allowance, a special 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 additional regular contribution (ARC) 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.

## Tax Controls and Your LGPS Benefits

### What are the tax controls on my pension savings?

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

#### Annual allowance

This is the amount by which the value of your pension benefits may increase in any one year (disregarding any increase in 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 2010/2011 (limit frozen until at least April 2016) is £255,000.

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 additional voluntary contribution (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 107), but only if you keep enhanced protection throughout the relevant tax year.



## Tax Controls and Your LGPS Benefits

### Special annual allowance

From 22 April 2009, a special annual allowance charge has been introduced for 2009/2010 and 2010/2011. Most Scheme members will not be affected by this.

The special annual allowance charge will apply only if:

- › you increase the level of your pension savings on or after 22 April 2009 beyond your normal, ongoing regular pension savings; and
- › the value of the additional pension savings is greater than £20,000; and
- › in the year you increase the level of your pension savings, or one of the previous two tax years, you have an annual income of £150,000 or more.

The Government has announced that the level of annual income at which the special annual allowance applies is to be £130,000 or more from 9 December 2009.

If the special annual allowance charge applies, then the value of the additional pension savings above £20,000 will be subject to a special annual allowance tax charge to recover tax relief given at above basic rate. The basic rate in 2010/2011 is 20%.

### 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 below), 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 2010/2011 is £1.8 million.

## Tax Controls and Your LGPS Benefits



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 pension scheme.

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, if you have registered for them, your primary lifetime allowance protection or enhanced protection (see below) 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%.

## Tax Controls and Your LGPS Benefits

To have primary lifetime allowance protection or enhanced protection, you must have registered with HMRC by 5 April 2009.

### **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, ie, those whose benefits at 5 April 2006 already had a capital value in excess of the 2006/2007 lifetime allowance of £1.5 million.

If the value of your pension benefits at 5 April 2006 was more than the 2006/2007 lifetime allowance of £1.5million and you have registered for primary protection, you have 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 could 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 £1.5million. You could also register for enhanced protection if you believed the value of those benefits might in the future be more than the standard lifetime allowance or if you believed your pension benefits in any one year would increase by more than the annual allowance. Under enhanced

## Tax Controls and Your LGPS Benefits

protection you will not pay tax on benefits in excess of the lifetime allowance provided your benefits at retirement do not exceed the value of your benefits at 5 April 2006 as increased after then, in general terms, by the greater of 5% per annum, the increase in the retail prices index (RPI) 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 (eg, pay into the LGPS in house AVC facility<sup>10</sup>) 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 £3,000.

### **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/rpsmmanual/RPSM03201060.htm>

<sup>10</sup> 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, eg, you do not adjust the premiums to purchase increased life cover.

## Tax Controls and Your LGPS Benefits

### More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet).

The national website for members of the LGPS can be found at [www.lgps.org.uk](http://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 110.

# Help with Pension Problems



## 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 (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/HR 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 (IDRP). 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 (IDRP)**

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 or the act or omission about which you are complaining (or such longer period as the nominated person considers reasonable). This is a formal review of the initial decision or act or omission and is an opportunity for the matter 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, (or their failure to make a decision) you may apply to the Fund's administering authority to have it reconsidered.

## Help with Pension Problems

The Fund can tell you who your employer's nominated person is and supply you with a more detailed leaflet on the internal disputes resolution procedure and relevant time limits 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  
Telephone: 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 Pensions 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  
Telephone: 0207 630 2200

### **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  
Telephone: 0870 606 3636



## Help with Pension Problems

### 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 schemes. 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  
Telephone: 0845 600 2537

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

### More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet).

The national website for members of the LGPS can be found at [www.lgps.org.uk](http://www.lgps.org.uk)



If You Joined the LGPS  
Before 1 April 2008

## If You Joined the LGPS Before 1 April 2008

A new-look Local Government Pension Scheme (LGPS) was introduced from 1 April 2008, changing the cost and benefits of being a member of the LGPS. In this section, we look at how your LGPS benefits are affected if you joined the LGPS before 1 April 2008.

You should also read the '*Your LGPS Retirement Benefits*' section on page 74 to find out more information about your LGPS retirement benefits.



### How benefits are worked out

**If you joined the LGPS before 1 April 2008**, benefits based on your membership to 31 March 2008 will be calculated differently to those based on your membership from 1 April 2008.

**For membership built up to 31 March 2008**, you receive a pension of 1/80th of your final pay plus an automatic tax-free lump-sum of three times your pension.

**For membership from 1 April 2008**, your pension will be at the increased rate of 1/60th of your final pay. There will be no automatic lump-sum for membership built up after March 2008, but you do have the option to exchange some of your pension for extra tax-free lump-sum.

## If You Joined the LGPS Before 1 April 2008

Here is an example of how benefits are worked out if you have membership up to and after 31 March 2008.

Let's look at someone who has eight years' membership up to 31 March 2008 and 24 years' membership after then when they retire at age 65. Their final year's pay on retirement is £20,000.

### **Benefits based on their eight years' membership up to 31 March 2008**

Their annual pension is:

$$8/80\text{ths} \times £20,000 = \mathbf{£2,000}$$

Plus an automatic tax-free lump-sum:

$$3 \times 8/80\text{ths} \times £20,000 = \mathbf{£6,000}$$

### **Benefits based on their 24 years' membership from 1 April 2008**

Their annual pension is:

$$24/60\text{ths} \times £20,000 = \mathbf{£8,000}$$

### **To give total benefits of:**

An annual pension

$$£2,000 \text{ plus } £8,000 = \mathbf{£10,000}$$

$$\text{Plus a tax-free lump-sum} = \mathbf{£6,000}$$

But remember, it's possible to exchange some of your pension for extra tax-free lump-sum. You can take up to 25% of the capital value of your LGPS benefits as a lump-sum<sup>11</sup>. For every £1 of annual pension that you give up, you will receive an extra £12 lump-sum.

To summarise, any pension built up before April 2008 is calculated at the 1/80th rate with a lump-sum of three times the pension. Only pension built up from 1 April 2008 is calculated at the better 1/60th rate and there is an option to take extra lump-sum in exchange for some pension.

You should read the '*Your LGPS Retirement Benefits*' section on page 74 to find more information on how membership and final pay is worked out in calculating your LGPS benefits.

<sup>11</sup> Limited to £450,000 (2010/2011 figure) less the value of any other pension rights you have in payment.

## If You Joined the LGPS Before 1 April 2008

### You should note that:

If you joined the LGPS before 1 April 2008, each year of membership purchased by a transfer in from another pension scheme will attract a pension at the 1/80th rate, plus an automatic tax-free lump-sum of three times the pension.

If you are awarded extra membership by your employer and the date your employer resolved to award this was before 1 April 2008, those years will attract a pension at the 1/80th rate plus an automatic tax-free lump-sum of three times the pension.

If you have an in-house AVC fund and you convert it into extra LGPS membership, the extra membership will attract a pension only, calculated at the 1/80th rate. You are only allowed to convert your AVC fund into LGPS membership in limited circumstances, and only if your election to start paying AVCs had been made before 13 November 2001.

If you are buying extra membership in the LGPS (added years), any extra benefits will be calculated on the same basis you had agreed to buy them.

If you are a married man with membership before 1 April 1972, that membership will be converted to 89% of its length unless you elected to pay extra contributions to convert it to its full length.

If you are a high earner, and you joined the Scheme after 31 May 1989 and before 6 April 2006, you could only pay contributions and have your benefits based on your pay up to the earnings cap – this was £105,600 for 2005/6. The earnings cap was removed from 6 April 2006 and, if it affected you, your relevant membership prior to then will be reduced.

## If You Joined the LGPS Before 1 April 2008



### When you can retire

The Scheme's normal pension age is still 65. If you continue working beyond age 65, you can stay in the Scheme, but you must draw your benefits by age 75. Benefits drawn after 65 will be increased.

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 in the LGPS in England or Wales.

#### **Early retirement**

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 to do so. To draw your benefits before age 60, you must have your employer's consent.

The earliest age you can ask for early retirement with your employer's consent increased from 50 to 55 from 1 April 2008.

## If You Joined the LGPS Before 1 April 2008

If you were paying into the LGPS on 31 March 2008 this change doesn't apply to you until 1 April 2010. You may be able to retire and receive your benefits from as young as age 50, with your employer's consent, provided you retire and elect to receive your benefits before 1 April 2010.

If you voluntarily retire before age 65, your benefits may be reduced.

For more information on early retirement, see the section on '*Your LGPS Retirement Benefits*' on page 74.

### **Redundancy or efficiency retirement**

If you are made redundant or retired on business efficiency grounds, the earliest age immediate benefits are paid increased from 50 to 55 from 1 April 2008.

### **Flexible retirement**

The earliest age for flexible retirement increased from age 50 to 55 from 1 April 2008.

You must reduce your hours or grade and have your employer's consent to take flexible retirement. If you draw your benefits on flexible retirement before age 65 they may be reduced. For more information on flexible retirement, see the section on '*Your LGPS Retirement Benefits*' on page 74.

### **Early payment - reductions to benefits**

If you choose to retire before age 65 or your employer allows you to draw your benefits on flexible retirement before age 65, your benefits may be reduced to take account of being paid for longer. How much your benefits are reduced by depends on how early you draw them.

The reduction is based on the length of time (in years and days) that you retire early – ie, the period between the date your benefits are paid to age 65. The earlier you retire, the greater the reduction.

## 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. 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.

| Number 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 a member of the LGPS on 30 September 2006, some or all of your benefits paid early could be protected from the reduction under what is called the 85-year rule.

The 85-year rule is satisfied if your age at the date you draw your benefits and your Scheme membership (each in whole years) add up to 85 or more.

If you are part-time, your membership counts towards the rule of 85 at its full calendar length.

Not all membership may count towards working out whether you meet the 85-year rule.

Working out how you are affected by the 85-year rule can be quite complex, but this should help you work out your general position.

- › If you would not satisfy the 85-year rule by the time you are 65, then all your benefits are reduced if you choose to retire before 65. The reduction will be based on how many years before 65 you draw your benefits.
- › If you will be age 60 or over by 31 March 2016 and choose to retire before age 65, then, provided you satisfy the 85-year rule when you start to draw your pension, the benefits you build up to 31 March 2016 will not be reduced.



## If You Joined the LGPS Before 1 April 2008

- ▶ If you will be under age 60 by 31 March 2016 and choose to retire before age 65, then, provided you satisfy the 85 year rule when you start to draw your pension, the benefits you build up to 31 March 2008 will not be reduced. Also, if you will be aged 60 between 1 April 2016 and 31 March 2020 and meet the 85-year rule by 31 March 2020, some or all of the benefits you build up between 1 April 2008 and 31 March 2020 will not have a full reduction.

Please note that the rules on deciding whether you have protection under the 85-year rule from a reduction to your benefits if you choose to draw them before 65, and the level of that protection, are quite complex. If you are thinking of voluntarily retiring or asking for flexible retirement before age 65, you should contact the Fund for a quotation of the benefits payable.

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

### How your pension increases


Your LGPS pension increases in line with the retail prices index (RPI) every year throughout your retirement. As the cost of living increases, so will your pension.

### More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet).

The national website for members of the LGPS can be found at [www.lgps.org.uk](http://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 110.

A woman with dark hair, wearing a grey business suit jacket over a white collared shirt, is sitting at a dark wood desk. She is leaning forward with her chin resting on her hand, looking directly at the camera with a thoughtful expression. The desk in front of her has a computer monitor, keyboard, and some papers. A green office chair is visible behind her. The background shows an office setting with a window and some papers on a shelf.

Some Terms  
We Use

## Some Terms We Use

### **Additional regular contributions (ARCs)**

These are extra payments to increase your future benefits.

### **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 earning-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 earnings limit and the upper accruals point (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 earning-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.

## Some Terms We Use

### Designating body

Designating bodies are bodies which can designate employees for access to the Scheme. Employees of 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, can be designated for membership of the Scheme.

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

## Some Terms We Use

### **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 Authority, the Chair of the Olympic Park Legacy Company, 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 2010/2011 is £97 per week. 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 and Financial Protection for Your Family*' on page 66.

### **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, any payment made by way of compensation to achieve equal pay nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

## Some Terms We Use

### Retail prices index (RPI)

This shows the changes in the cost of living. It 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 the movement in the retail prices index during the 12 months to September.

### State earning-related pension scheme (SERPS)

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. From 2010 this will change for women as shown in the table below, so that by 2020, state pension age will have been equalised at age 65.

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

| 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                |

## Some Terms We Use

### **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 was an earnings-related pension, but from April 2009 it began 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.

### **Transfer value**

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

### **Upper accruals point**

This is the amount of pay beyond which you cease to pay the, lower, contracted-out rate of national insurance contributions. The upper accruals point for 2010/2011 is £770 per week. It is usually increased annually by Parliament. On earnings above the upper accruals point, and up to the upper earnings limit of £884 per week, you pay the full 11% national insurance contribution and, on earnings above the upper earnings limit, you pay a 1% national insurance contribution.













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, West Midlands Pension Fund 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 Fund's Data Protection Officer on (01902) 554498, via email at [dataprotection@wolverhampton.gov.uk](mailto: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.

# Contact information

## Email us on:

PensionFundEnquiries@wolverhampton.gov.uk

## Telephone our Helpdesk on:

0300 111 1665

## Visit our website at:

wmpfonline.com

## Fax us on:

0845 230 1565

## Minicom/Typetalk:

01902 554607

## Write to us at:

West Midlands Pension Fund  
PO Box 3948  
Wolverhampton  
WV1 1XP

## Send us a text on:

Text WMPF + your message  
to 60066

Standard short code network charges apply

Lines are open during the  
following times:

8:30am to 5.00pm Monday-Thursday

8:30am to 4.30pm Friday

Calls may be monitored for  
training purposes

