Combining Document H

This leaflet outlines the considerations you should make before deciding whether or not you would like to combine your deferred benefits with your new active CARE account.

What do I need to consider before making my decision?

At the moment you have a separate deferred benefit for your previous employment in the LGPS. If you take no action this will be automatically combined with your new active pension account.

You need to think about the following things when considering whether or not you should keep your benefits separate:

- How will the benefits from my previous employment be worked out?
- When will my benefits be payable?
- Are there other key areas to consider?

How will the benefits from my previous employment be worked out?

You have built up benefits in the both the final salary scheme (up to 31 March 2014) and the career average scheme (from 1 April 2014). See ***Working out your benefits in the LGPS*** the glossary for information on how these benefits are calculated.

If your previous deferred benefit is combined with your new active pension account then:

i) the membership you built up before 1 April 2014 in the final salary scheme will no longer count as final salary membership. Instead the value of benefits built up before 1 April 2014 in the final salary scheme will buy an amount of earned pension in the career average scheme which will be added into your new active pension account.

ii) the amount of pension you have built up in the career average scheme from 1 April 2014 would transfer over to your new active pension account.

If you elect to retain separate benefits then your deferred benefit will remain as previously worked out i.e.

i) that part of your deferred benefit which was based on your pre 1 April 2014 final salary membership of the LGPS will have been worked out on your whole-time equivalent ***final pay*** in the employment that gave rise to the deferred benefit, and

ii) you will have an amount of pension built up in the career average scheme after 1 April 2014 and the date you left the LGPS in the employment that gave rise to the deferred benefit.

If you elect to keep separate deferred benefits then your deferred benefits will increase each year in line with inflation, as currently measured by the rise in the ***Consumer Prices Index*** (see glossary for more information).

When will my benefits be payable?

If your previous deferred benefit is combined with your new active pension account then all your combined benefits will be payable at the ***Normal Pension Age*** for the scheme from 1 April 2014. Therefore, your ***Normal Pension Age*** would be the same as your State Pension Age (minimum age 65). For more information on ***Normal Pension Age*** see the glossary.

Rule of 85 protections will continue for some members in relation to some of their membership, see the information below on ***rule of 85*** protections.

If you elect to keep your deferred benefits separate then the date these are payable would remain the same with your ***Normal Pension Age*** being age 65 for benefits built up to 31 March 2014 and for benefits built up from 1 April 2014 your ***Normal Pension Age*** is linked to your State Pension Age (minimum age 65). For more information on ***Normal Pension Age*** see the glossary.

Rule of 85

If your previous benefits are combined with your new employment, the value of those benefits buys an amount of earned pension in the career average scheme and any ***rule of 85*** protection you previously had will be reflected in the amount of earned pension bought. Therefore, to reflect the fact that those earlier benefits would now be payable unreduced at your ***Normal Pension Age*** under the career average scheme (i.e. the same as your State Pension Age, with a minimum age of 65) the amount of earned pension bought by the transferred benefits would be higher because you previously had ***rule of 85*** protection. In addition, if your previous benefits are combined with your new employment, there are further protections for ***rule of 85*** if you are close to retirement including.

- **If you will be age 60 or over by 31 March 2016 and re-join the scheme before 1 April 2016** then the ***rule of 85*** will continue to apply to the membership you build up between re-joining the scheme and 31 March 2016 (although the date you meet the ***rule of 85*** may move closer to your ***Normal Pension Age*** because the break in service between your previous period of membership and your new period of membership will not count towards the ***rule of 85***). However, the ***rule of 85*** will not continue to apply to the amount of earned pension bought when you combined your deferred pension (but the amount of earned pension bought will include an amount to compensate for the loss of ***rule of 85*** protection on that pension).
- **If you will be age 60 between 1 April 2016 and 31 March 2020 and re-join the scheme before 1 April 2020** then the ***rule of 85*** will continue to apply to the membership you build up between re-joining the scheme and 31 March 2020 (although the date you meet the ***rule of 85*** may move closer to your ***Normal Pension Age*** because the break in service between your previous period of membership and your new period of membership will not count towards the ***rule of 85***). However, the ***rule of 85*** will not continue to apply to the amount of earned pension bought when you combined your deferred pension (but the amount of earned pension bought will include an amount to compensate for the loss of ***rule of 85*** protection on that pension).

If you decide not to combine your previous deferred benefits with your new active pension account and you have ***rule of 85*** protections then these would continue to apply, but to your deferred benefits only.

What are the key differences if I elected to keep my deferred benefits separate?

	Combined Benefits	Separate Benefits
Redundancy/ Business Efficiency	**Benefits paid early because of redundancy or efficiency would include the value of earlier deferred benefits that have been transferred.** If you are made redundant or lose your job for business efficiency reasons when aged 55 or over then your benefits would be payable immediately and would include the value of the pension that transferred from your deferred benefit.	**Benefits paid early because of redundancy or efficiency in your new employment would <u>not</u> include the value of earlier deferred benefits.** If you are made redundant or lose your job for business efficiency reasons when aged 55 or over then your benefits would be payable immediately but would **not** include the value of your deferred benefit (because you had elected to retain that as a separate deferred benefit). Subject to the information in the boxes below, the separate deferred benefits would be payable at your ***Normal Pension Age***.
Ill- health	**Any benefits paid early because of ill-health would include value of earlier deferred benefits that have transferred.** Your benefits will become payable immediately if your employer decides, based on the opinion of an independent doctor that you are permanently unable to perform the duties of your employment due to ill-health and you are not capable of undertaking other gainful employment. Your pension would be paid at an increased level if you are unlikely to be capable of undertaking other gainful employment within 3 years of leaving. The payment would include the value of your pension that transferred from your deferred benefit.	**Benefits paid early because of ill-health would <u>not</u> include the value of earlier deferred benefits.** Your benefits from your new employment will become payable immediately if your employer decides, based on the opinion of an independent doctor, that you are permanently unable to perform the duties of your employment due to ill-health and you are not capable of undertaking other gainful employment. Your pension would be paid at an increased level if you are unlikely to be capable of undertaking other gainful employment within 3 years of leaving. The payment would **not** include the value of your deferred benefit (because you elected to retain that as a separate deferred benefit). Your separate deferred benefit may become payable but that would only be if your former employer decided in light of the view from an independent doctor that you are permanently

		incapable of the job you were working in when you left the employment in respect of which the deferred benefit was awarded and that you are not likely to be capable of undertaking other gainful employment before your ***Normal Pension Age*** or for at least 3 years, whichever is the sooner.
Early payment of benefits	You can voluntarily choose to draw the combined benefits from as early as age 55 (at, normally, a reduced rate to account for the early payment). However, the combined benefits would be payable at the same time (i.e. cannot be paid at different times) and cannot be paid until you have ceased your new employment.	You can voluntarily choose to draw benefits from as early as age 55 (at, normally, a reduced rate to account for the early payment). However, the deferred benefits do not have to be drawn at the same time as the benefits from your new employment. The deferred benefits can be drawn later than, at the same time as, or earlier than the benefits from your new employment (even if you are still in your new employment at the time you wish to draw the deferred benefits).
Cost of living increases	The combined benefits will be subject to revaluation each year in accordance with HM Treasury Orders. The revaluation is currently in line with the rise in the ***Consumer Prices Index*** (see glossary for more information). However, in times of negative inflation, the revaluation under a HM Treasury Order could be negative.	The benefits in the active pension account will be subject to revaluation each year in accordance with HM Treasury Orders. The revaluation is currently in line with the rise in the ***Consumer Prices Index*** (see glossary for more information). However, in times of negative inflation, the revaluation under a HM Treasury Order could be negative. The benefits in the deferred pension account will be subject to revaluation each year under the Pensions (Increase) Act 1971. Future revaluation is currently in line with the rise in the ***Consumer Prices Index*** (see glossary for more information). In times of negative inflation, the revaluation under the Pensions (Increase) Act 1971 would be 0% (i.e. it cannot be a negative amount).

Are there any other key areas to consider?

Death in Service lump sum

As a member of the LGPS if you die in service a lump sum of three times your annual pensionable pay would normally be payable. If you have a deferred pension and die before it is paid, a lump sum equal to 5 times the deferred pension is paid. However, only one amount for lump sum life cover is payable from the LGPS so, even if you keep your deferred benefits separate from your active pension account, only the greater of the lump sum life cover for your deferred benefit or for your active pension account would be payable.

Transferring the value of your deferred benefit to another pension scheme

Please note that even if you choose not to combine your benefits you will not be able to transfer the value of your deferred benefits to another pension scheme whilst you are contributing to the LGPS or if you have less than one year to go before reaching your ***Normal Pension Age***.

Annual Allowance Potential Tax Implications

You are advised to be aware of any potential tax implications around combining your deferred benefits with your new active pension account. In the unlikely event that a tax charge would apply your Pension Fund would make you aware of the implications. Please read the glossary for more information on ***annual allowance***.

Paying extra contributions

Have you paid extra contributions towards buying additional pension or membership? These would include Additional Voluntary Contributions (AVCs), Added Years, Additional Regular Contributions (ARCs) or Additional Pension Contributions (APCs). Please read ***paying extra contributions*** in the glossary to find out what your choices in respect of these are.

Your Pension Service

www.yourpensionservice.org.uk