



# Local Government Pension Scheme

## Post 31 March 2014 Leaver Guidance Notes

### What are deferred benefits?

Because you left the Local Government Pension Scheme before becoming entitled to receive immediate payment of your pension benefits, they are deferred within the scheme. Your deferred benefits are based on:

Membership built up before 1 April 2014 (“Final Salary Benefits”)-

- The length of time you paid into the scheme up to 31 March 2014
- Your pensionable salary, usually the last 365 days pay before leaving
- The effect of any pensions increases in the period your benefits are deferred

Membership built up on or after 1 April 2014 (“Career Average Benefits”)-

- The amount of pensionable pay received and earned from 1 April 2014
- The effect of any pensions increases both during and after active membership from 1 April 2014.

When your deferred benefits become payable, the pension is normally paid monthly and if you have membership prior to 1 April 2008 a tax-free lump sum will also be automatically paid. Immediately prior to retirement, there will be an opportunity to increase the lump sum in respect of membership built up prior to 1 April 2008 and / or to receive a lump sum in respect of membership built up from that date by giving up some of your annual pension (for each £1 annual pension given up £12 of lump sum will be received). There are limits on the maximum lump sum that may be received which is generally 25% of the value of the benefits being drawn.

### When are deferred benefits payable?

Your benefits will normally become payable unreduced from your Normal Pension Age (NPA). Your Normal Pension Age is linked to your State Pension Age (SPA) as at the date on which benefits are drawn. If your SPA is earlier than your 65<sup>th</sup> birthday, your NPA will instead be 65. Your current NPA is shown on your statement. However, this date may change in the future as and when the Government changes State Pension Ages.

You may access your benefits any time from your 55<sup>th</sup> birthday without needing your former employer's consent but you will have actuarial reductions applied to allow for early payment. The amount of the reduction will depend on how far away you are from your Normal Pension Age. If you built up pension in the LGPS before 1 April 2014, the reductions on that part of the pension are calculated by reference to your protected Normal Pension Age (for most, this is age 65). In addition, if you were a member of the LGPS on or before 30 September 2006, some or all your benefits paid early could be fully or partially protected from the reduction in accordance with ‘the Rule of 85’.



To work out the reduction for early payment, we will use the government issued guidance that applies at the point you draw the benefits.

If you have opted out of the scheme, but are still employed in the same post, your deferred benefits cannot be paid until you have ceased that employment.

### **In 2017, the Government announced that some people's state pension age will be later, is this change reflected in my statement?**

In 2017, the Government reviewed the SPA. On 19 July 2017, they announced the outcome which is a proposal to increase the SPA for people born between 6 April 1970 and 5 April 1978 (inclusive). To proceed with this proposal, the Government will need to change the law, which they have not yet done. The Government have announced that they will consider changing the law as part of the next review due by July 2023.

Your statement **does not take** account of this proposal. Your Normal Pension Age in our Scheme will only change once the Government change the law. For more information, please see the Government's press release (<https://www.gov.uk/government/news/proposed-new-timetable-for-state-pension-age-increases>)

In respect of membership built up before 1 April 2014 ("Final Salary Benefits")-

- The length of time you paid into the scheme up to 31 March 2014
- Your pensionable salary, usually the last 365 days pay before leaving
- The effect of any pensions increases in the period your benefits are deferred

### **In what other circumstances can benefits be paid earlier?**

Early payment of your deferred benefits may be granted 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 have become permanently incapable of the job you are working in when you left the LGPS and you are unlikely to be capable of undertaking any gainful employment within 3 years of applying for the benefit or by your Normal Pension Age, whichever is the earlier. Gainful employment means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

### **Can I defer receiving payment of my benefits?**

Yes. Should you start drawing your LGPS benefits 'late', we will increase the amounts payable because the benefits are being paid later and over a shorter period than expected.

We will apply increases to the CARE part of your benefits if you start drawing them after your State Pension age (min age 65). We will apply an increase to the final salary part of your benefits (if any) if you start drawing them after your 65<sup>th</sup> birthday.

Your deferred benefits must be in payment by no later than your 75<sup>th</sup> birthday.

To work out the increase for late payment, we will use the government issued guidance that applies at the point you draw the benefits.



### **Is there a death grant payable if I die before receiving my benefits?**

If you die after leaving but before drawing your deferred benefits, a lump sum of 5 times the deferred pension is payable.

Please note that if you return to active membership in LGPS (England or Wales), keep your deferred benefits separate from your new active record, and later die in service, multiple death grants will not be payable—only the highest death grant available would be payable i.e. the greater of 5 times the deferred pension or 3 times your pay (assumed pensionable pay) in your new job.

If you have not yet indicated who you wish to receive any death grants from the scheme, or you wish to change a previously made nomination, please print off and return an "expression of wish" form (available from our website).

### **Can my spouse/civil partner receive pension benefits should I pre-decease them?**

Your surviving spouse or civil partner may receive a pension in respect of your membership which will be a proportion of your deferred pension. The proportion is generally –

- 50% in respect of benefits built up prior to 1 April 2008;
- 37.5% in respect of benefits built up between 1 April 2008 and 1 April 2014; and
- 30.625% in respect of benefits built up on or after 1 April 2014.

If the marriage/civil partnership took place after you left the scheme, the rate of the survivor pension may be less than it would have been had the marriage/civil partnership taken place before leaving the Scheme. Please note that "marriage" includes both opposite-sex and same-sex marriages.

### **Can my cohabiting partner receive pension benefits?**

Your cohabiting partner may receive a survivor's pension should you predecease them, which is normally equal to that payable to a spouse or civil partner, and providing your relationship met certain conditions at that time. For full information please see the Employee full guide to the LGPS on our website.

### **If I have children, would they be eligible to receive a pension if I die?**

Your children may receive benefits if they satisfy one of the following:

- Aged under 18
- Aged between 18 and 23 and still in continuous full-time education or vocational training or has a physical or mental impairment which impacts on their ability to engage in paid employment
- Aged 23 and over, has a physical or mental impairment which impacts on their ability to engage in paid employment, the impairment is likely to be permanent and the person was dependent on you because of that impairment at death.

The specific proportion of your deferred pension payable to each child who is eligible will depend upon whether a pension is also payable in respect of your membership to a surviving spouse, civil partner or cohabiting partner and the number of eligible children. The pension payable to an eligible child will continue for as long as the child remains eligible.



### What if I re-join the scheme at a later date?

If you re-join the scheme you will, in addition to your deferred benefits, begin to build up new pension benefits. You will have the option of keeping these two sets of benefits separate or joining them together to form just one set of benefits.

Please note that if you opt out on or after 11 April 2015 and your benefits are deferred there is no option to combine your benefits.

You will normally only have 12 months from the date you re-join to make this decision. Please note, the option you have regarding the benefits the deferred pension will buy if joined with your new benefits depends upon whether you had a continuous break of active membership of any public service pension scheme exceeding 5 years between leaving and re-joining the Scheme.

We will send you further details on re-joining.

If you re-join or have already re-joined the LGPS in another Fund in England or Wales, you must (if not already done so):

- a) Notify the administering authority of the Fund in which you are an active member again that you are an active member again that you have deferred benefits in our Fund.
- b) Notify us that you are an active member in another LGPS Fund in England or Wales and
- c) Notify the administering authority of any intervening service in any other public service pension scheme (even if a refund of contributions has been received or a transfer made in respect of that service).

Items a) and b) are required to ensure you receive appropriate options regarding aggregation of benefits. Failure to comply with item c) could lead to certain statutory rights that may apply to you not being applied.

### Can I transfer my pension rights?

Yes, you may elect to transfer your deferred pension benefits to another pension scheme subject to certain conditions (for example, you cannot transfer if you are within 1 year of your NPA). The receiving scheme will need to be suitably approved and willing and able to accept the transfer. Upon joining your new pension scheme, you should let them know that you have deferred benefits within the Local Government Pension Scheme, and they will write to us requesting details of the transfer value available. The option to transfer should normally be exercised within 12 months of joining the new pension arrangement as most schemes set this as a time limit.

If you decide to transfer, the cash equivalent value of your deferred benefits will normally be transferred across to the new scheme.

Please be advised that should you, in return for a transfer from the LGPS to another scheme, be looking to acquire “flexible benefits”, appropriate independent advice (payable



at your own cost) must normally be obtained before such a transfer can be made. Generally, a “flexible benefit” is a pension benefit which is calculated by reference to an amount of money such as money purchase or cash balance benefits. More information will be provided upon request for a transfer.

Irrespective of whether you are required to obtain financial advice, it is still a good idea to do so to understand fully the pros and cons.

### **Warning - Pension Scams**

If you are considering transferring your benefits to another pension provider, beware of pension scams which are on the increase in the UK. Pension scams can take many forms. Many offer 'One-off pension investments', 'pension loans' or 'upfront cash' to entice savers to transfer their hard-earned pension benefits.

Once you've transferred your pension, it's too late. Please visit [www.pensionadvisoryservice.org.uk](http://www.pensionadvisoryservice.org.uk) or [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk) for more information on how to spot a pension scam.

### **How will my benefits keep their value?**

Your benefits are adjusted in line with inflation from the time you leave the scheme and continue to be adjusted once pensions are in payment. The increases are linked to the Consumer Price Index, and these are applied to your deferred benefits each April.

The Consumer Price Index (CPI) figure for 2019 is 2.4%. Therefore, we have applied a 2.4% increase to deferred benefits in April 2019. However, if you left on or after 24 April 2018 you may not be entitled to the full increase.

### **Do I need to contact you at retirement?**

It is your responsibility to get in touch with us and let us know from what date you would like your pension benefits brought into payment. Please give notice around three months before your intended retirement date to allow your benefits to be processed. We will then issue your retirement figures allowing you to make choices on your lump sum and where you would like your pension paying.

### **Keeping us up to date**

Finally, please remember to let us know if your address changes so that we can keep you up to date with information about your pension benefits. You can do this by logging into 'My Pension Online' via our website [www.yourpensionservice.org.uk](http://www.yourpensionservice.org.uk)

**All data held is for the purpose of administering the pension scheme and paying pension benefits. The administrators have a legal obligation and a legitimate interest under the General Data Protection Regulation (GDPR) or any superseding legislation in processing data as a result of your membership of the scheme. This may include passing such data to the actuary, administrators, auditors, insurers, lawyers and such other third parties as may be necessary for the operation of the scheme. The administering authority for the pension fund that you are a member of, and LPP who**



**administer 'The Fund', are joint data controllers under the GDPR for their respective fund. The administering authority and LPP remain legally responsible for collecting and processing personal data under the GDPR for the fund.**

*This document is for general use and cannot cover every personal circumstance as its contents are based on our understanding of the legislation and events at the time. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this document does not confer any contractual or statutory rights and is provided for information purposes only.*