#### LGPEN10 - A2

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#### What to consider if you have deferred LGPS benefits – Scenario A2

This leaflet looks your options if you are an active member of the LGPS and you have deferred benefits in the Scheme.

You can choose to:

* join your deferred benefits with your active pension account so that you have one set of benefits, or
* keep separate benefits.

**If you do not make a decision to keep separate benefits within the time limit set out in the letter that we sent with these notes, your deferred benefits will be combined with your active pension account.**

There are many things to think about before you decide. In this leaflet we look at the most important ones. You may want to get independent financial advice. You can find out how to choose a financial adviser on the Financial Conduct Authority (FCA) website: [www.fca.org.uk/consumers/what-ask-adviser](http://www.fca.org.uk/consumers/what-ask-adviser).

The main things you need to think about when making your decision are:

1. How are my deferred LGPS benefits worked out?
2. When will my benefits be paid?
3. What are the key differences if I choose separate benefits?
4. Is there anything else to consider?

**1. How are my deferred LGPS benefits worked out?**

The benefits from your previous membership will be worked out in the same way if they are combined or if they are kept separate.

**Working out your LGPS pension** – each year you build up pension based on your pensionable pay. The Scheme year runs from 1 April to 31 March. The pension you build up is:

* 1/49th of your pensionable pay if you are in the main section of the Scheme
* 1/98th of your pensionable pay if you are in the 50/50 section of the Scheme.

The pension you build up each year is added to your pension account. It is revalued every 6 April so your pension keeps up with the cost of living.

**Pensionable pay from 1 April 2014:** pensionable pay is the pay that you pay LGPS contributions on. If you are away from work and your pay reduces or stops because of sickness or injury, relevant child related leave or reserved forces leave, your pension is worked out using assumed pensionable pay instead. Assumed pensionable pay is an estimate of the pay you would have had if you were not away from work.

**2. When will my benefits be paid?**

You can take your LGPS pension with no reduction for early payment from your Normal Pension Age. Your Normal Pension Age is your State Pension age with a minimum of age 65. Your Normal Pension Age is the same whether you combine your benefits or choose to keep them separate.

If you choose to take your LGPS pension before your Normal Pension Age it will be reduced because it is being paid earlier. If you take it later than your Normal Pension Age it will be increased because it is being paid later. The size of the reduction or increase is based on how many years and days before or after your Normal Pension Age you take your pension.

**3. What are the key differences if I choose separate benefits?**

**Redundancy, business efficiency and ill health retirement**

If you are made redundant or lose your job for business efficiency reasons when you are over 55, or if you retire due to ill health at any age, your pension will be paid immediately. There would be no reduction to your pension, even if you are under your Normal Pension Age when you retire.

The Government has announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering redundancy and efficiency retirement will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** Benefits paid early would include the value of the deferred benefits that have been combined with your active pension account.

**Option 2 - Separate benefits:** Benefits paid early **would not** include the value of the deferred benefits because you had chosen to keep them separate.

Generally, the separate deferred benefits would be paid from your Normal Pension Age.

Your separate deferred benefits may be paid on ill health grounds. That will happen if your former employer decides that:

* you are permanently incapable of the job you were working in when you became deferred, and
* you are not likely to be capable of gainful employment for the next three years or before your Normal Pension Age if this is sooner.

Gainful employment is paid employment of 30 hours a week for at least a year. Your former employer must get the opinion of an independent doctor before making its decision.

**Early payment of your pension**

You can choose to take your pension at any time from age 55. It will normally be reduced if you take it early.

The Government has announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering early payment will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** The combined benefits would be paid if you choose to take your pension early. They cannot be paid at different times. You cannot take the combined benefits until you have left your current job.

**Option 2 - Separate benefits:** You do not have to take the deferred benefits at the same time that you take the benefits in your active pension account. You can take your deferred benefits even if you are still in your current job.

**Cost of living increases**

**Option 1 - combined benefits:** In most cases, the value of your deferred benefits will be added to your active pension account and it will not change. For a small number of members, the value of your deferred benefits may fall slightly if you choose to combine your benefits. This could happen if:

* the gap between the date your earlier membership ended and the new membership started is five years or less, and
* the cost of living adjustment that applied in any of the years in that period was negative.

The combined benefits will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is ever negative, **revaluation will be negative**.

**Option 2 - Separate benefits:** The pension in your active pension account will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is ever negative, **revaluation will be negative**.

The deferred benefits will be revalued each year in line with the Consumer Prices Index. However, if inflation is ever negative, your deferred LGPS pension would not reduce. It would stay at the same level.

**4. Is there anything else to consider?**

**Death in service lump sum**

If you die in service as a member of the LGPS, a lump sum death grant is paid. The lump sum is normally three times your yearly pensionable pay.

If you have a deferred LGPS pension and you die before it is paid, a death grant of five times the deferred pension is paid.

However, only one death grant is paid.

**Option 1 – Combined benefits:** If you die as an active member, a death grant of three times your yearly pay would be paid

**Option 2 – Separate benefits:** If you die as an active member, the greater of the death grant for your active pension account or your deferred benefits would be paid.

**Paying extra contributions**

LGPS members can pay extra to increase their pension benefits. You may have paid extra using one of the arrangements described below. If you have, you need to understand what happens to any payments you have already made and whether you can carry on paying extra contributions.

1. **Additional pension contributions (APCs):** These are contracts to buy extra or lost pension taken out after 31 March 2014. This includes extra and lost pension that you or your employer have paid for.

Any APC arrangement to buy extra pension stops when you leave the job it is linked to.

**Option 1 – Combined benefits:** Any extra pension you have bought by paying APCs will be added to your active pension account.

**Option 2 – Separate benefits:** any extra pension you have bought will be paid when you take your deferred pension.

You cannot continue to pay towards your last APC arrangement in your new job. You can start a new APC arrangement. Contact us for more information.

1. **Additional voluntary contributions (AVCs):**

**Option 1 – Combined benefits:** Your AVCs must be transferred to an AVC arrangement offered by your new pension fund.

**Option 2 – Separate benefits:** the AVCs will remain linked to your deferred benefits. You can begin a new AVC linked to your active pension account if you want to.

**Transferring your deferred benefits to another pension scheme**You can transfer your LGPS benefits to another pension scheme, but there are strict rules about pension transfers:

* you cannot transfer if you are within a year of your Normal Pension Age
* you cannot transfer when you are paying into the LGPS
* you must transfer all your LGPS benefits at the same time, even if they are held in different pension funds.

If you choose separate benefits, you cannot transfer your deferred benefits to another pension scheme until your current LGPS membership ends.

**Tax limits – the Annual allowance**

The Annual allowance limits the amount you can save towards your pension in a year. You may have to pay extra tax if you save more than the limit.

**Option 1 – Combined benefits:** could have a very smalleffect on the Annual allowance

**Option 2 – Separate benefits:** no effect on the Annual allowance.

Most members will not be affected by the Annual allowance. However, some members may exceed the Annual allowance, particularly higher earners and those paying extra pension contributions.

You can find out more about the Annual allowance from the Government’s website: [www.gov.uk/tax-on-your-private-pension](http://www.gov.uk/tax-on-your-private-pension).

**Further information**If you have any questions about your options, please get in touch using our online form.

[www.nottspf.org.uk/contact](http://www.nottspf.org.uk/contact)

Write to:

Nottinghamshire Pension Fund

Business Services Centre

County Hall

West Bridgford

Nottingham

NG2 7QP

Phone: 0115 977 2727option 4, option 2

Email: lgpensions@nottscc.gov.uk

*This is a brief leaflet about joining LGPS benefits together. It cannot cover every circumstance. If there is any dispute over your pension benefits, the appropriate legislation will apply. This leaflet does not give you any contractual or legal rights and is for information purposes only.*