



# **A Guide to the Local Government Pension Scheme for Employees in England and Wales**

Employees in England and Wales – June 2018  
V5.0

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## About this Booklet

The information in this booklet is based on the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (both effective from 1 April 2014) and other relevant legislation. It applies to individuals who were contributing members of the Local Government Pension Scheme (LGPS) on 1 April 2014 or who have joined the scheme on or after that date. The booklet is for employees in England or Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication.

In the future the Government may make changes to overriding legislation and, after consultation with interested parties, may make changes to the LGPS.

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 as a member of the LGPS. It describes how the scheme works, what it costs to be a member and the financial protection that it offers to you and your family.

Where pension terms are used, they appear in ***bold italic*** type. **These terms are defined at the back of this booklet.**

The national website for members of the LGPS is [www.lgpsmember.org](http://www.lgpsmember.org)

## About the Local Government Pension Scheme (LGPS)

### Who runs the LGPS?

The Cheshire Pension Fund is part of a national pension scheme called the Local Government Pension Scheme (LGPS). The Pension Fund administers the LGPS for over 240 employers based in Cheshire whose employees are able to participate in the LGPS. These include all the local authorities, the Police and Fire authorities (for non-uniformed staff), further education colleges (excluding teachers), Academies, Housing Trusts and a range of voluntary as well as private sector organisations providing services to the public sector.

As a member of the LGPS you belong to a scheme which provides high quality pension benefits based on your salary.

Membership of the LGPS provides much more than just a pension; it also provides important life cover and pensioner for your dependants.

Please take the time to read this booklet and visit our website for more information.

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 in England and Wales is administered locally through 90 local pension funds.

If you require any further information please contact us using the details below.



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[www.cheshirepensionfund.org](http://www.cheshirepensionfund.org)



Cheshire Pension Fund, Cheshire West and Chester Council, 4 Civic Way, Ellesmere Port, CH65 0BE.

# About the Local Government Pension Scheme (LGPS)

## LGPS rules

The scheme regulations were made under the Superannuation Act 1972 and in the future will be made under the Public Service Pension Schemes Act 2013. Changes to scheme rules are discussed at national level by employee and employer representatives but can only be amended with the approval of Parliament. Cheshire West and Chester Council must keep you informed of any changes that are made.

The LGPS is a registered **public service pension 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.

The LGPS meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008.

## LGPS responsibilities

### Information

Cheshire West and Chester Council are 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 Regulations 2013 (Statutory Instrument Number 2013 No. 2356) and subsequent amendments and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (Statutory Instrument Number 2014 No. 525) and subsequent amendments.

The regulations are available from [www.legislation.gov.uk](http://www.legislation.gov.uk). A current version, including all amendments, is available on the website [www.lgpsregs.org](http://www.lgpsregs.org). 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, Cheshire West and Chester Council is registered under the current Data Protection Act. You can check that your computerised personal record is accurate, although a small fee may be charged.

### Decisions

The Regulations give specific responsibilities to 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.

## About the Local Government Pension Scheme (LGPS)

Many pension fund administrators set up a Pension Committee to oversee their pension scheme responsibilities which then act in a similar role to trustees of other pension schemes.

You can find more information from: [Cheshire West and Chester Council](#).

### **Governance**

From April 2015, Cheshire West and Chester Council must establish and operate a Local Pension Board. The Pension Board is responsible for assisting the administering authority in securing compliance with the LGPS regulations, overriding legislation and guidance from the Pensions Regulator. The Board is made up of equal representation from employer and member representatives.

### **Funding**

As a scheme member, you will pay contributions to the LGPS. Your employer currently 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.

### **Future cost management of the LGPS**

To ensure the long term sustainability of the scheme a cost management process is now in place in the LGPS in England and Wales which will monitor the cost of the scheme to ensure it stays within agreed parameters as set by the Scheme Advisory Board and HM Treasury. Should costs increase outside those parameters future changes to the scheme design may be required.



## 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 being a member of the LGPS.

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the back of this booklet.

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

Your retirement income and benefits, over and above the State pension, will in general be provided by a personal pension plan, a stakeholder pension scheme or the Local Government Pension Scheme. These are described briefly below.

### Your Pensions Choice

- Local Government Pension Scheme
- Personal Pension Plans and Stakeholder Pension Schemes

#### 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.

Key features of the LGPS include:

##### **A secure pension –**

worked out every ***scheme year*** and added to your ***pension account***. The pension added to your account at the end of a ***scheme year*** is, if you are in the main section of the scheme, an amount equal to a 49<sup>th</sup> of your ***pensionable pay*** in that year. At the end of every ***scheme year*** the total amount of pension in your account is adjusted to take into account the cost of living (as currently measured by the ***Consumer Prices Index (CPI)***).

##### **Flexibility to pay more or less contributions –**

you can boost your pension by paying more contributions, which you would get tax relief on. You also have the option in the LGPS to pay half your normal contributions in return for half your normal pension. This is known as the 50/50 section of the scheme and is designed to help members stay in the scheme when times are financially tough.

##### **Tax-free cash –**

you have the option when you draw your pension to exchange part of it for some tax-free cash.

## Your Pensions Choice

### **Peace of mind –**

your family enjoys financial security, with immediate life cover and a pension for your spouse, **civil partner** or **eligible cohabiting partner** and **eligible children** in the event of your death in service or if you die after leaving having met the 2 years **vesting period**. If you ever become seriously ill and you've met the 2 years **vesting period**, you could receive immediate ill health benefits.

### **Freedom to choose when to take your pension –**

you do not need to have reached your **Normal Pension Age** in order to take your pension as, once you've met the 2 years **vesting period**, you can choose to retire and draw your pension at any time between age 55 and 75. Your **Normal Pension Age** is simply the age you can retire and take the pension you've built up in full. However, if you choose to take your pension before your **Normal Pension Age** it will normally be reduced, as it's being paid earlier. If you take it later than your **Normal Pension Age** it's increased because it's being paid later.

### **Redundancy and Efficiency Retirement –**

if you are made redundant or retired in the interests of business efficiency at or after age 55 you will, provided you've met the 2 years **vesting period**, receive immediate payment of the main benefits you've built up (but there would be a reduction for early payment of any additional pension you have chosen to buy).

### **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, and you've met the 2 years **vesting period**, draw some or all of the benefits you have already built up, helping you ease into retirement, although your benefits may be reduced for early payment.

### **Tax Relief–**

as a member of the LGPS, if you earn enough to pay tax, your contributions will attract tax relief at the time they are deducted from your pay.

## **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. When you retire, the investments are cashed in and the sum of money realised is used to buy retirement benefits from the insurance market and from April 2015 these benefits can also be taken as cash (subject to tax as appropriate). 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.

## Your Pensions Choice

### Joining the Local Government Pension Scheme (LGPS)

#### Who can join?

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

To be able to join the LGPS you need to 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.

Police officers, operational firefighters and, in general, teachers and employees eligible to join another statutory pension scheme (such as the NHS Pension Scheme) are not allowed to join the LGPS.

If you start a job in which you are eligible for membership of the LGPS you will be brought into the scheme, if your contract of employment is for 3 months or more. If it is for less than 3 months and you are, or during that period become, an **Eligible Jobholder** you will be brought into the scheme from the **automatic enrolment date** (unless your employer issues you with a postponement notice to delay bringing you into the scheme for up to a maximum of 3 months) or, if your contract is extended to be for 3 months or more, or you opt to join by completing an application form, you will be brought into the scheme from the beginning of the pay period after the one in which your contract is extended or you opt to join.

If you are brought into the scheme you have the right to opt out. You cannot complete an opt out form until you have started your employment.

#### 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 provided Cheshire Pension Fund agrees, consider transferring it into the LGPS.

You can, if you wish, pay up to 100% of your total UK taxable earnings in any one tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a “tax relief at source” arrangement, such as a personal pension or stakeholder pension scheme) 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 – most people will not be affected by these controls. To find out more, see the section on [Tax Controls and Your LGPS Benefits](#).

## Your Pensions Choice

### How do I ensure that I have become a member of the LGPS?

On joining the LGPS relevant records and a **pension account** (for each employment in the scheme, if you have more than one) will be set up and an official notification of your membership of the LGPS will be sent to you. **You should check your pay slip to make sure that pension contributions are being deducted.**

### Can I opt out of the LGPS?

If you are thinking of opting out you might want to first consider an alternative option which is to elect to move to the 50/50 section of the scheme. The 50/50 section allows you to pay half your normal contributions in return for half your normal pension build up. To find out more, see the section on [Contribution Flexibility](#).

If having considered the 50/50 option you still decide the LGPS is not for you, you can leave the LGPS at any time on or after your first day of eligible employment by giving your employer notice in writing. You might, however, want to take independent financial advice before making the final decision to opt out.

If you opt out of the LGPS before completing 3 months membership you will be treated as never having been a member and your employer will refund to you, through your pay, any contributions you have paid during that time.

If you opt out of the LGPS with 3 or more months membership and before completing the 2 years **vesting period** you can take a refund of your contributions (less any statutory deductions) or transfer out your pension to another scheme. If you were in the scheme before 1 April 2014 and opt out on or after that date with 3 or more months membership and before completing the 2 years **vesting period** you will also have the option of having deferred benefits in the scheme instead of taking a refund of your contributions (less any statutory deductions).

If you opt out of the LGPS after meeting the 2 years **vesting period** you will have deferred benefits in the scheme and will generally have the same options as anyone leaving their job before retirement, except you cannot draw your deferred benefits unless you have left your job. Also, if you re-join the scheme, you will not be permitted to join the two periods of membership together. Instead, you will have two separate sets of pension benefits in the scheme. You can find details of these options in the section on [Leaving Your Job Before Retirement](#).

If you opt-out, you can, provided you are otherwise eligible to join the scheme, opt back into the scheme at any time before age 75.

If you opt out of the LGPS then:

- on the date your employer is first required to comply with the automatic enrolment provisions under the Pensions Act 2008, your employer will automatically enrol you back into the LGPS if you are an **Eligible Jobholder** at that time in the job you've opted out from, or
- if on the date your employer is first required to comply with the automatic enrolment provisions under the Pensions Act 2008, you are not an **Eligible Jobholder** in the job you opted out from, your employer will, if you subsequently

## Your Pensions Choice

become an **Eligible Jobholder** in that job, automatically enrol you back into the LGPS from the **automatic enrolment date**.

Your employer must notify you if this happens. You would then have the right to again opt out of the LGPS.

If you stay opted out your employer will normally automatically enrol you back into the LGPS approximately every 3 years from the date they have to comply with the automatic enrolment provisions provided, at the date your employer has to enrol you back in, you are an **Eligible Jobholder**.

However, in any of the above cases, your employer can choose not to automatically enrol you if:

- you had opted out of the LGPS less than 12 months prior to the date you would have been automatically enrolled in the job, or
- notice to terminate employment has been given before the end of the period of 6 weeks beginning with what would have been automatically enrolled in the job, or
- your employer has reasonable grounds to believe that, on what would have been the date they would have automatically enrolled you, you hold Primary Protection, Enhanced Protection, Fixed Protection, Fixed Protection 2014, or Individual Protection 2014, Fixed Protection 2016 or Individual Protection 2016 (see the section on [Tax Controls and Your LGPS Benefits](#)), or
- you hold office as a director of the company by which you are employed,
- you are a member of a limited liability partnership (LLP), have earnings payable by the LLP but you are not treated for income tax purposes as being employed by the LLP.

## Your Pensions Choice

### Contributions

#### What do I pay?

The rate of contributions you pay is based on how much you are paid. There are 9 different pay bands with contribution rates ranging from 5.5% to 12.5% of your **pensionable pay**. If you elect for the 50/50 section of the scheme you would pay half the rates listed below. The rate you pay depends on which pay band you fall into. When you join, and every April afterwards, your employer will decide your contribution rate. Also, if your pay changes throughout the year, your employer may decide to review your contribution rate.

Here are the pay bands and contribution rates that apply from April 2018.

Contribution table 2018/19	
If your actual pensionable pay is:	You pay a contribution rate of:
Up to £14,100	5.5%
£14,101 to £22,000	5.8%
£22,001 to £35,700	6.5%
£35,701 to £45,200	6.8%
£45,201 to £63,100	8.5%
£63,101 to £89,400	9.9%
£89,401 to £105,200	10.5%
£105,201 to £157,800	11.4%
£157,801 or more	12.5%

The contribution rates and / or pay bands will be reviewed periodically and may change in the future. This is to maintain the average contribution from employees at 6.5% and to ensure the long term costs of the scheme are managed.

You pay contributions on your normal salary or wages plus any shift allowance, bonuses, overtime (both contractual and non-contractual), Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any 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 award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, pay relating to loss of future pensionable payments or benefits, any pay paid by your employer if you go on **reserve forces service leave** nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

When you join the scheme your employer will decide your appropriate rate of contributions for each job you have. Your employer may decide to review your contribution rate, if for example your pay changes during the year. If this results in a change to your contribution rate they must let you know.

If you elect for the 50/50 section of the scheme you will start paying half your normal rate of contributions from your next available pay period.

## Your Pensions Choice

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 currently 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.

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

The LGPS is fully approved by HM Revenue and Customs, which means that if you earn enough to pay tax, you receive tax relief on your contributions. To achieve this, your contributions are deducted from your **pensionable pay** 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. There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increase in any one year by more than the annual allowance you may have to pay a tax charge. Most people will not be affected by the annual allowance. To find out more, see the section on [Tax Controls and Your LGPS Benefits](#).

### Is there any flexibility to pay less contributions?

Yes, in the scheme there is an option known as 50/50 which provides the facility to contribute less to the LGPS. If you elect for 50/50 you would, from your next available pay period, pay half your normal contributions in return for half your normal pension. You still retain full life assurance and ill health cover when you are in the 50/50 section of the scheme. To find out more, see the section on [Contribution Flexibility](#).

### Can I make extra contributions to increase my benefits?

You can increase your benefits by paying additional contributions, known as Additional Pension Contributions (APCs) to buy extra LGPS pension, or by making payments to the scheme's **Additional Voluntary Contributions (AVC)** arrangement, or by paying contributions into a personal pension, stakeholder pension or Free-standing AVC scheme of your own choice. These options are explained in more detail in the section on [Contribution Flexibility](#).

### 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, as explained in the section on [Contribution Flexibility](#), there is a limit on the extra LGPS pension you can buy). However, tax relief will only be given on contributions up to 100% of your UK taxable earnings (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme). Additionally,



## Your Pensions Choice

under HM Revenue and Customs rules there are controls on the pension savings you can have before you become subject to a tax charge – most people will not be affected by these controls. To find out more, see the section on [Tax Controls and Your LGPS Benefits](#).

### I'm already paying into the LGPS in another job(s) – can I also join in this job?

If you are already paying into the LGPS and you get another job where your employer offers you membership of the scheme, you can be a member of the scheme in all positions, provided you are eligible to join (see the paragraph above on **Who can join?**). You will have a separate **pension account** for each job and receive a separate pension at retirement.

If you leave one job before leaving the other(s), the pension from the **pension account** of the job that has ended will be joined to the **pension account** for the ongoing job (or, if there is more than one ongoing job, the one you choose) unless you have met the 2 years **vesting period**, in which case you will, if you wish, be able to choose, within 12 months of ceasing the job that has ended (or such longer period as your employer may allow), to keep the **pension accounts** separate. Details will be provided by Cheshire Pension 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 or to the LGPS in Scotland or Northern Ireland, 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 and Cheshire West and Chester Council allows you longer. This is a **discretion**; you can ask your employer and Cheshire West and Chester Council what their policy is on this matter.

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

Whether or not you should transfer 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](#).

### What if I've been a member before and can now re-join the LGPS?

If you rejoin the LGPS and you have deferred benefits in an LGPS fund in England or Wales (which you were awarded other than as a result of electing, on or after 11 April 2015, to opt out of membership of the scheme) your deferred benefits will normally be automatically joined with your new active **pension account**. If you want to retain separate deferred benefits then you must make such an election within 12 months of rejoining the scheme (or such longer period as your employer may allow).



## Your Pensions Choice

If you have deferred benefits in an LGPS fund in England or Wales which you were awarded as a result of electing, on or after 11 April 2015, to opt out of membership of the scheme, you cannot join those benefits with your new active **pension account**. They will remain as a separate deferred benefit.

If you rejoin the LGPS in England and Wales and have a deferred refund this **must** be joined with your new active **pension account**.

If you have deferred benefits in the LGPS in England or Wales and left the scheme before 1 April 2014 or your deferred benefits include membership built up before 1 April 2014 please see the [Transferring Pension Rights into the LGPS](#) section for further information.

If you wish to transfer your previous LGPS pension rights you should contact Cheshire Pension 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.

### **I'm already receiving an LGPS pension – will it be affected?**

If you built up any pension in the scheme before 1 April 2014 and you are re-employed in **local government** or by an employer who offers membership of the LGPS you must tell the LGPS fund that pays your pension about your new position, regardless of whether you join the scheme in your new position or not. They will let you know whether your pension in payment is affected in any way.

Subject to the next paragraph, if you have only built up benefits in the LGPS from 1 April 2014, draw your pension and are then reemployed in **local government** or by an employer who offers membership of the LGPS you do not need to inform the LGPS fund that pays your pension as there is no effect on your pension in payment.

If you are in receipt of an LGPS ill-health pension which is of the type that is stopped if you are in any gainful employment, your pension may be affected and you must inform the employer who awarded you that pension if you take up employment (whether in **local government** or elsewhere). They will let you know whether your pension in payment should be stopped.

### **Forms to fill in:**

#### **Death benefit forms**

If you die in service, a **lump sum death grant** of three times your **assumed pensionable pay** is paid no matter how long you have been a member of the LGPS – please see the section on [Life Cover – Protection For Your Family](#) for more information.

## Your Pensions Choice

Cheshire West and Chester Council has absolute **discretion** when deciding on 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 an expression of wish form. The form, if not included with this booklet is available from the Cheshire Pension Fund.

If you cohabit with a partner of either the opposite or same sex, there is a provision in the LGPS for your partner to receive a survivor's pension on your death. Cheshire West and Chester Council must be satisfied that your relationship meets certain conditions laid down by the LGPS before paying a survivor's pension to an **eligible cohabiting partner**. You can find out about these conditions from the section on **Life Cover – Protection for Your Family**. If this applies to you, you may wish to complete a cohabiting partner's form to provide Cheshire West and Chester Council with additional details to assist them when deciding whether the criteria for such a survivor's pension are met should a cohabiting partner's pension need to be paid. The form (if not included with this booklet) is available from the Cheshire Pension Fund.

### More information

For more information or if you have a problem or question about your LGPS benefits, please contact the Cheshire Pension Fund. **Contact details can be found at the front of this booklet.**

The national web site for members of the LGPS can be found at [www.lgpsmember.org](http://www.lgpsmember.org)

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**.

## Contribution Flexibility

In this section we explain how as a member of the Local Government Pension Scheme (LGPS) you have:

- the option to pay less contributions in return for less pension and,
- the option to pay extra contributions to increase your pension benefits.

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the back of this booklet.

### Flexibility to pay less

When you are a member of the LGPS there may be times when you are in difficult financial circumstances and consider opting out of the scheme to save money.

The LGPS offers you the flexibility to stay in the scheme at such times and continue to build up valuable pension benefits. You can elect to pay half your normal contributions and build up half your normal pension. This is known as the 50/50 section of the LGPS.

In the LGPS there are two sections of the scheme, the main section and the 50/50 section. When you join the scheme you will automatically be placed in the main section where you pay normal pension contributions in return for normal pension build up.

Once you are a member of the scheme you will be able to elect in writing to move to the 50/50 section if you wish. Once you make an election you will start paying half your normal contributions from your next available pay period.

Contribution table 2018/19			
Band	If your actual pensionable pay is:	You pay a contribution rate of:	
		Main section	50/50 section
1	Up to £14,100	5.5%	2.75%
2	£14,101 to £22,000	5.8%	2.9%
3	£22,001 to £35,700	6.5%	3.25%
4	£35,701 to £45,200	6.8%	3.4%
5	£45,201 to £63,100	8.5%	4.25%
6	£63,101 to £89,400	9.9%	4.95%
7	£89,401 to £105,200	10.5%	5.25%
8	£105,201 to £157,800	11.4%	5.7%
9	£157,801 or more	12.5%	6.25%

### Who can elect for 50/50?

As a member of the LGPS you can elect to pay into the 50/50 section at any time. An election to join this section must be made in writing to your employer. There is no limit to the number of times you can elect to move between the main and the 50/50 section, and

## Contribution Flexibility

vice versa. Your election once received by your employer takes effect from your next available pay period.

### **What does my election for 50/50 need to include?**

You need to make a written election to your employer to move to the 50/50 section of the LGPS. This can be in the form of a letter or a completed 50/50 election form. A 50/50 election form (if not included with this booklet) is available from your employer or the Cheshire Pension Fund. If you have more than one job in which you contribute to the scheme you must specify in which of the jobs you wish to be moved to the 50/50 section.

When you make an election for the 50/50 section your employer must provide you with information on the effect this will have on your benefits in the scheme.

### **What happens to life cover and ill health cover if I am in the 50/50 section?**

In the 50/50 section you build up half your normal pension because you are paying half your normal contributions. However, if you were to die in service the lump sum death grant and any survivor pensions would be worked out as if you were in the main section of the scheme.

If you are awarded a Tier 1 or Tier 2 ill-health pension whilst in the 50/50 section the amount of any ill-health enhancement added to your pension is worked out as if you were in the main section of the scheme.

### **How long can I remain in the 50/50 section?**

The 50/50 section is designed to be a short-term option for when times are tough financially. Because of this your employer is required to re-enrol you back into the main section of the scheme approximately three years after they have reached their staging date for automatic enrolment purposes under the Pensions Act 2008 (and approximately every three years thereafter). Your employer will tell you when this is if you're in the 50/50 section of the scheme. If you wish to continue in the 50/50 section at that point you would need to make another election in writing to remain in that section of the scheme.

If you are in the 50/50 section and move onto a period of no pay due to sickness or injury or no pay during a period of ordinary maternity leave, ordinary adoption leave or paternity leave then you will be moved back into the main section of the scheme from your next pay period if you are still not in receipt of pay at that time.

If you are in the 50/50 section you can choose to revert back to the main section of the scheme at any time by informing your employer in writing. This can be in the form of a letter or a completed election form to rejoin the main section. An election form to rejoin the main section is available from your employer or the Cheshire Pension Fund. If you have more than one job in which you contribute to the 50/50 section you must specify in which of the jobs you wish to be moved back to the main section. You will then start to build up full benefits in the main section from the next available pay period after your employer receives your election.

## Contribution Flexibility

### What does my employer pay if I'm in the 50/50 section?

Your employer continues to pay their normal contribution rate (not half their rate) when you are in the 50/50 section of the scheme.

### What if I'm currently paying extra contributions or might wish to do so in the future - is this possible when in the 50/50 section?

As the 50/50 section is considered a short term option for use in times of financial difficulty it's not expected that you will remain in the section for a long period of time. The rules of the scheme do not therefore permit you to pay additional contributions in certain circumstances when you are in the 50/50 section. The effect on additional contribution options are detailed below:

Type of Contract	Effect of being in the 50/50 section
<ul style="list-style-type: none"> <li>• Additional Pension Contribution (APC) Contract (full cost to you to buy <b>extra</b> pension)</li> <li>• Shared Cost Additional Pension Contribution Contract (SCAPC) (cost shared between you and your employer to buy <b>extra</b> pension)</li> </ul>	Existing Contracts - Must Cease
<ul style="list-style-type: none"> <li>• Additional Voluntary Contributions (AVC)</li> <li>• Shared Cost Additional Voluntary Contributions (SCAVC)</li> <li>• Additional Pension Contribution (APC) Contract (full cost to you to buy <b>lost</b> pension because of a trade dispute or unpaid authorised leave of absence)</li> <li>• Shared Cost Additional Pension Contribution (SCAPC) Contract (cost shared between you and your employer to buy <b>lost</b> pension due to unpaid authorised leave of absence or unpaid additional maternity or adoption leave or unpaid shared parental leave)</li> </ul>	Existing Contracts - Can Continue (at the same rate as before you elected for the 50/50 option)
<ul style="list-style-type: none"> <li>• Additional Pension Contribution (APC) Contract (full cost to you to buy <b>extra</b> pension)</li> <li>• Shared Cost Additional Pension Contribution Contract (SCAPC) (cost shared between you and your employer to buy <b>extra</b> pension)</li> </ul>	New Contracts - Not Permitted

## Contribution Flexibility

Type of Contract	Effect of being in the 50/50 section
<ul style="list-style-type: none"> <li>• Additional Voluntary Contributions (AVC)</li> <li>• Shared Cost Additional Voluntary Contributions (SCAVC)</li> <li>• Additional Pension Contribution (APC) Contract (full cost to you to buy <b>lost</b> pension because of a trade dispute or unpaid authorised leave of absence)</li> <li>• Shared Cost Additional Pension Contribution Contract (SCAPC) (cost shared between you and your employer to buy <b>lost</b> pension due to unpaid authorised leave of absence or unpaid additional maternity or adoption leave or unpaid shared parental leave)</li> </ul>	New Contracts - Permitted
<ul style="list-style-type: none"> <li>• Added years contract</li> </ul>	<p>Existing Contracts - Can Continue (at the same rate as before you elected for the 50/50 option)</p> <p>Note that these contracts only apply to scheme members who took out such contracts before 1 April 2008.</p>
<ul style="list-style-type: none"> <li>• Additional Regular Contributions (ARC) contract</li> <li>• Additional Survivor Benefit Contributions (ASBC) contract</li> </ul>	<p>Existing Contracts - Can Continue (at the same rate as before you elected for the 50/50 option)</p> <p>Note that these contracts only apply to scheme members who took out such contracts before 1 April 2014.</p>
<ul style="list-style-type: none"> <li>• Part-time buy-back contract</li> </ul>	Existing Contracts - Can Continue (at the same rate as before you elected for the 50/50 option).
<ul style="list-style-type: none"> <li>• Part-time buy-back contract</li> </ul>	New Contracts - Permitted

### Flexibility to pay more

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.

## Contribution Flexibility

### You can improve your retirement benefits by paying:

- Additional Pension Contributions (APCs) to buy **extra** LGPS pension (but not if you are in the 50/50 section)
- **Additional Voluntary Contributions (AVCs)** arranged through the LGPS (in-house AVCs)
- Free Standing **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?

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). However, tax relief will only be given on contributions up to 100% of your UK taxable earnings (or, if greater, £3,600 to a “tax relief at source” arrangement, such as a personal pension or stakeholder pension scheme).

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 – most people will not be affected by these controls. These controls, and the potential effect of paying extra contributions if you have lifetime allowance enhanced protection, fixed protection, or fixed protection 2014 or fixed protection 2016 are explained in more detail later under the heading **Do the tax rules on pension savings limit the extra I can pay?**

### The options explained:

#### Paying Additional Pension Contributions (APCs) to buy extra LGPS pension

If you are in the main section of the scheme you can pay more in contributions to buy up to £6,822 of **extra** pension, or to purchase pension lost during certain periods of leave of absence on no pay or periods on no pay due to a trade dispute. This section explains the facility to purchase **extra** pension – see the section [Leave of Absence and the LGPS](#) for information on purchasing **lost** pension.

Any **extra** pension you purchase is payable each year in retirement and is payable on top of your normal LGPS benefits. You can pay for this **extra** pension either regularly from your pay or via a lump sum. Where your employer also chooses to contribute to the APC arrangement, this is known as Shared Cost Additional Pension Contribution (SCAPC) arrangement. If you are in the 50/50 section of the scheme you cannot commence an APC or SCAPC to buy **extra** pension. If you have an existing APC or SCAPC contract to buy **extra** pension and elect for the 50/50 section the contract must cease.



## Contribution Flexibility

- **Paying Regular Contributions**

You can choose to buy **extra** pension by spreading payment of the Additional Pension Contributions (APCs) over a number of complete years (unless the Cheshire Pension Fund determines that it would not be practicable to allow APCs to be paid by regular contributions, in which case payment could be made by a lump sum). Any extra regular contributions would be taken from your pay, just like your basic contributions. Your LGPS contributions and APCs are deducted before your tax is worked out, so, if you pay tax, you receive tax relief automatically through the payroll. You qualify for tax relief (normally at your highest rate) on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

The minimum period of time you can spread payment of APCs over is 12 months and the maximum period is the number of years to your **Normal Pension Age**. The latest you can take out such an APC contract is 1 year before your **Normal Pension Age**.

At the end of every **scheme year** the proportion of extra pension that you have paid for in that year is added to your **pension account**.

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

- **Paying by Lump Sum**

As an alternative to paying Additional Pension Contributions (APCs) over a period of time you can choose to buy **extra** pension by paying a one-off lump sum either via your pay or directly to your Pension Fund. If you choose to make payment directly to the Pension Fund you will need to arrange tax relief directly with HMRC as the contributions are not being deducted from your pay.

You can choose to make a lump sum payment to buy **extra** pension through an APC at any time whilst you are contributing to the main section of the scheme.

The amount of **extra** pension you purchase is added to your **pension account** in the **scheme year** in which payment is made.

- **General Additional Pension Contributions information**

The cost to you of buying **extra** pension is calculated in accordance with guidance issued by the Secretary of State for the Department for Communities and Local Government which can be reviewed 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.



## Contribution Flexibility

If you have more than one job in which you are a member of the scheme you would have to specify which job's **pension account** any **extra** pension you are buying is to be credited to. If you wish to pay Additional Pension Contributions for each job, you would have to make a separate election for each job.

The cost of any **extra** pension you buy is paid for by you unless your employer chooses to pay some or all of the cost of the APC. This is an employer **discretion**. You can ask your employer what their policy is on this.

If you wish to buy **extra** pension and you already have an existing APC arrangement or, before 1 April 2014, you elected to buy additional pension under an Additional Regular Contribution (ARC) arrangement, the amount of additional pension from these existing arrangements will be taken into account when determining the maximum **extra** pension you can buy within the £6,822 limit.

Any **extra** pension you purchase will be paid at the same time as your main LGPS benefits.

If you choose to retire early and draw your benefits before your **Normal Pension Age**, or you are retired on redundancy or business efficiency grounds before your **Normal Pension Age**, the **extra** pension you have bought will be reduced for early payment.

If you draw your benefits on flexible retirement, you can, if you wish, draw all the extra pension you have paid for too, although it will be reduced for early payment. If you do so, your APC contract will cease (if you are still paying these extra contributions when you draw your benefits), although you will be able to take out a new APC contract (provided you are at least one year before your **Normal Pension Age** if you want to pay the APCs by regular contributions).

If you are awarded (by your employer) an enhanced ill-health pension (either Tier 1 or Tier 2) then the remaining amount of any APC or SCAPC contract you are paying at that time is deemed to have been paid in full and is credited to your **pension account** in the **scheme year** your pension is paid.

If you draw your pension after your **Normal Pension Age**, the amount of any **extra** pension you have bought will be increased as its being paid later.

On retirement, you can choose to exchange some of the **extra** pension you have bought for a tax-free 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 Pension](#).

If you die in service then no extra benefits from your APC contract will be payable. This is because the amount of **extra** pension you purchase is for you only.

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 5 times the **extra** annual pension you paid for will be payable.

## Contribution Flexibility

If you die after starting to draw your pension and you are under age 75 at the date of death, a lump sum of 10 times your **extra** annual pension minus any **extra** pension already paid to you may be payable.

You can obtain a quote and print off an application form to buy **extra** pension at [www.lgpsmember.org](http://www.lgpsmember.org). You can also contact Cheshire Pension Fund for further information on paying Additional Pension Contributions.

You may be required to undergo a medical examination at your own expense before being allowed to buy **extra** pension.

### **Paying *Additional Voluntary Contributions (AVC)* arranged through the LGPS (in-house AVCs)**

All local government pension funds have an AVC arrangement in which 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 can elect to pay an AVC if you are in either the main or 50/50 section of the scheme.

You decide how much you can afford to pay. You can pay up to 100% of your **pensionable pay** into an in-house AVC in each job where you pay into the LGPS .

Your employer can also pay towards your AVC. This is known as a Shared Cost AVC. This is an employer **discretion**.

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 automatically through the payroll. You qualify for tax relief (normally at your highest rate) on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

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

**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 **assumed pensionable pay** if you die in service, but you can pay AVCs to increase this and / or, if the AVC arrangement your pension fund has set up includes this facility, 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.

## Contribution Flexibility

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

- **Buy one or more annuities**

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 would buy an annuity at the same time as you take your LGPS benefits.

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**

When you take your LGPS benefits you can 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 can also provide dependants' benefits. The amount of pension you receive is based on set factors which vary from time to time.

- **Take your AVCs as cash**

You can take some or all of your AVC fund as a tax-free cash lump sum<sup>1</sup> but you can only take it all as a lump sum if you take it at the same time as your main LGPS benefits and 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).

- **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 flexible retirement, 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 2014](#).

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<sup>1</sup> Provided the lump sum does not exceed £257,500 (2018/19 figure) or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

## Contribution Flexibility

- **Transfer your AVC fund to another pension scheme or arrangement**

You can transfer your AVC fund to another pension scheme or arrangement, including to a scheme that offers flexible benefits, independently of your main scheme benefits; and provided you have stopped paying AVCs, you can even transfer your AVC fund even if you continue to contribute to the LGPS.

If you were to transfer your AVC funds to a defined contribution scheme the four main flexible benefit options that the scheme might offer (from age 55) include:

- to purchase an annuity (yearly pension) or scheme pension
- taking a number of cash sums at different stages
- taking the entire pot as cash in one go
- flexi access drawdown – using your pension pot to provide a flexible income. You are normally allowed to take a tax-free lump sum of up to 25% then set aside the rest to provide taxable lump sums as and when, or a regular taxable income.

You should be aware that there may be tax implications associated with accessing flexible benefits. The income from a pension is taxable; the rate of tax you would pay depends on the amount of income that you receive from a pension and from other sources.

Pension guidance is available from the Government's guidance website Pension Wise if you are considering taking flexible benefits. The guidance is free and impartial and can be accessed on the internet, by phone, or face to face. For more information see [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)

If you are considering taking flexible benefits you should consider accessing this pension guidance and taking independent advice to help you decide which option is most suitable for you.

Please note, Pension Wise does not provide guidance about taking benefits from a defined benefit scheme such as the LGPS.

**If you draw benefits on flexible retirement** and your AVC contract started on or after 13 November 2001 you can choose to take all of your AVC fund at the time you take your flexible retirement benefits, and, if you wish, continue paying AVCs. If your AVC contract started before 13 November 2001 your AVC contract will cease and you will have to use all of your AVC fund in one of the above ways at the time you draw your flexible retirement benefits.

**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 or drawn at the same time as your LGPS benefits.

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

You can also contact Cheshire Pension Fund for further information on paying AVCs.

## Contribution Flexibility

### **Paying Free Standing *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 UK taxable earnings, less your normal pension contributions.

Your FSAVC 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%<sup>2</sup> of the value of your FSAVC fund as a tax-free lump sum<sup>3</sup>.

You can also pay FSAVCs to provide additional life cover. Your LGPS membership already gives you cover of three times your ***assumed pensionable 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 UK taxable earnings in any one tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a “tax relief at source” arrangement, such as a personal pension or stakeholder pension scheme) 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 can often choose which investment route you prefer.

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<sup>2</sup> From April 2015 you can take the remainder of your FSAVC as a lump sum (subject to your marginal tax rate) provided the FSAVC provider allows this option.

<sup>3</sup> Provided the lump sum does not exceed £257,500 (2018/19 figure) or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

## Contribution Flexibility

When the benefits are paid, you will be able to take up to 25% of your Fund as a tax-free lump sum<sup>4</sup>, with the remainder available for use to buy an annuity from an insurance company, bank or building society or, if the personal pension or stakeholder provider offers the option, to take as a taxable lump sum or to use for flexi access drawdown.

For more information on the variety of options available when drawing benefits from a personal pension plan or a stakeholder pension scheme see the Government's guidance website [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk). This website provides guidance on drawing flexible benefits only and does not provide information on taking benefits from a defined benefit scheme such as the LGPS.

### I am already buying extra LGPS membership and or paying Additional Regular Contributions. Can I buy any extra benefits?

Even if:

- you are buying extra years of LGPS membership (added years) under a contract to do so which you entered into before 1 April 2008, and / or
- you are purchasing additional pension through an Additional Regular Contribution (ARC) contract which you entered into before 1 April 2014

you can still pay Additional Pension Contributions (APCs) to buy extra LGPS pension (APCs) up to a maximum of £6,822 (including any additional pension being bought by ARCs) and / or pay **Additional Voluntary Contributions (AVCs)**, or Free Standing AVCs (FSAVCs), or contribute to a concurrent personal pension plan or stakeholder pension scheme, if you wish.

### Can my employer award me any extra pension benefits?

Your employer, at their **discretion**, can award additional annual pension up to £6,822. This can be awarded to you if you are an active member or within six months of leaving the scheme if you leave on the grounds of redundancy or business efficiency. You can ask your employer what their policy is on this.

Your employer can also, at their **discretion**, pay into your AVC scheme arranged through the LGPS (in-house AVCs). This is known as a shared cost AVC arrangement.

### What happens if I pay extra and elect for the 50/50 option?

If you move from the main section of the scheme to the 50/50 section the following rules apply:

If you have:

- entered into a contract to buy **extra** pension by making Additional Pension Contributions (APCs) or entered into a Shared Cost APC contract with your employer,

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<sup>4</sup> Provided the lump sum does not exceed £257,500 (2018/19 figure), or if you have previously taken payment of (crystallised) pension benefits 25% of your remaining lifetime allowance.



## Contribution Flexibility

these contracts must cease when you elect to move to the 50/50 section. Also, when you are in the 50/50 section of the scheme, you cannot elect to commence payment of an APC contract, nor can you elect to commence payment of a Shared Cost APC, unless it's to purchase an amount of pension **lost** during certain periods of leave of absence on no pay or periods on no pay due to a trade dispute (see below).

If you have:

- entered into an APC contract to purchase the amount of **lost** pension due to a trade dispute, or
- entered into a Shared Cost APC to purchase the amount of **lost** pension during a period of unpaid authorised leave of absence or during a period of unpaid additional maternity or adoption leave or unpaid shared parental leave, or
- entered into a contract to buy-back some previous part-time service, or
- prior to 1 April 2014 entered into a contract to buy extra pension (ARCs) or,
- prior to 1 April 2014 entered into a contract to count pre 6 April 1988 membership for a surviving **eligible cohabiting partner's** pension, or
- prior to 1 April 2008 entered into a contract to buy extra LGPS membership (added years)

these contracts continue when you elect to move to the 50/50 section and the contributions under the contracts must be paid in full.

If you have:

- entered into an AVC arrangement or a Shared Cost AVC arrangement with your employer,

these continue when you elect to move to the 50/50 section, unless you choose to terminate the contract. You can elect to commence payment of an AVC or Shared Cost AVC when you are in the 50/50 section of the scheme.

In the 50/50 section of the scheme you can commence payment of:

- a Shared Cost APC to purchase the amount of pension **lost** during a period of unpaid authorised leave of absence or during a period of unpaid additional maternity or adoption leave or unpaid shared parental leave or,
- an APC to purchase the amount of pension **lost** during a trade dispute or,
- an AVC or Shared Cost AVC.

### What if I'm paying extra and I am absent from work?

The rules that apply if you are paying extra contributions and you are absent from work due to:

- sickness or injury,
- **relevant child related leave**,
- authorised leave of absence,
- a trade dispute, or
- **reserve forces service leave**

are covered in the section on [Leave of Absence and the LGPS](#).

## Contribution Flexibility

### 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 and the annual allowance on all the pension savings you can have before you become subject to a tax charge. Most scheme members' pension savings will be less than these allowances.

You can, if you wish, pay up to 100% of your UK taxable earnings in any tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme) and receive tax relief on the contributions.

The lifetime allowance is the total capital value of all your pension arrangements which you can build up without paying extra tax. If the value of your benefits when you take them (not including any state retirement pension, state pension credit or any spouse's, **civil partner's, eligible cohabiting 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 2018/19 is £1,030,000 (unless you have a protected higher lifetime allowance – see the section on [Tax Controls and Your LGPS Benefits](#)).

The annual allowance is the amount your pension savings can increase by in any one year without paying extra tax. Up until 2014/15 the pension saving year in the LGPS ran from 1 April to 31 March. From 6 April 2016, the pension saving year for all pension schemes will be aligned with the tax year – 6 April to 5 April. Special transitional arrangements applied for 2015/16. The annual allowance for 2018/19 is £40,000, unless you are a high earner who is subject to the tapered annual allowance in which case it may be lower – see the section on [Tax Controls and Your LGPS Benefits](#).

You would only be subject to an annual allowance tax charge if the value of your pension savings for a tax year increases by more than the annual allowance. However, a three year carry forward rule normally allows you to carry forward unused annual allowance from the last three tax years. This means that even if the value of your pension savings increase by more than the annual allowance in a year you may not be liable to the annual allowance tax charge.

Most people will not be affected by the annual allowance tax charge because the value of their pension saving will not increase in a tax year by more than the annual allowance or, if it does, they are likely to have unused allowance from previous tax years that can be carried forward.

If you have applied for lifetime allowance enhanced protection, fixed protection 2014 or fixed protection 2016 from HM Revenue and Customs you will lose that protection if you pay contributions into a money purchase pension arrangement (e.g. pay LGPS in-house AVCs or pay into a stakeholder or personal pension plan). You may not lose this protection if you are paying AVCs at 5 April 2006 purely for extra life cover and the terms of the policy have not varied significantly since then.



## Contribution Flexibility

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](#).

### More information

For more information or if you have a problem or question about your LGPS benefits, please contact the Cheshire Pension Fund. [Contact details can be found at the front of this booklet.](#)

The national web site for members of the LGPS can be found at [www.lgpsmember.org](http://www.lgpsmember.org)

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](#).

## Your Pension

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

In this section we look at how your pension is worked out and when you can draw your pension if you pay into the LGPS on or after 1 April 2014.

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the back of this booklet

### How is your pension worked out?

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 when you draw your pension benefits.

Your **LGPS annual pension** is worked out as follows:

Every year, you will build up a pension at a rate of  $1/49^{\text{th}}$  of the amount of ***pensionable pay*** (and any ***assumed pensionable pay***) you received in that ***scheme year*** if you are in the main section of the scheme (or half this rate of build up for any period you have elected to be in the 50/50 section of the scheme). If during the ***scheme year*** you had been on leave on reduced contractual pay or no pay due to sickness or injury, or had been on ***relevant child related leave*** or ***reserve forces service leave*** then, for the period of that leave, your pension is based on your ***assumed pensionable pay*** (other than during any part of ***relevant child related leave*** where the ***pensionable pay*** you received was higher than your ***assumed pensionable pay***). The amount of pension built up during the ***scheme year*** is then added to your ***pension account*** and revalued at the end of each ***scheme year*** so your pension keeps up with the cost of living.

If you joined the LGPS before 1 April 2014, your benefits for membership before 1 April 2014 were built up in the final salary scheme and are calculated differently. To find out more see the section [If You Joined the LGPS Before 1 April 2014](#).

### Your LGPS Annual Pension

If you are in the main section of the scheme the rate you build up your pension is  $1/49^{\text{th}}$  of the amount of your ***pensionable pay*** and any ***assumed pensionable pay*** in the ***scheme year***.

If you are in the 50/50 section of the scheme the rate you build up your pension is half the rate in the main section ( $1/98^{\text{th}}$  of the amount of your ***pensionable pay*** and any ***assumed pensionable pay*** in the ***scheme year***).

Your ***pensionable pay*** is the amount of pay on which you pay your pension contributions.

## Your Pension

If you are absent from work on reduced contractual pay or no pay due to sickness or injury or have a period of **relevant child related leave** or **reserve forces service leave** then, during the period of absence, the **pensionable pay** used is the notional pay you would have received but for the absence. This is known as **assumed pensionable pay** and ensures that the pension you build up during this period is not affected by your reduction in pay. However, during any part of **relevant child related leave** where the **pensionable pay** you received is higher than your **assumed pensionable pay** your actual pensionable pay for that part of the leave period is used instead.

**You will have a pension account** and your pension built up each **scheme year** is added to your account. The **scheme year** runs from 1 April to 31 March. If you hold separate pensionable employments you will have a separate **pension account** for each job.

**If you are paying extra contributions to buy extra pension** through Additional Pension Contributions (APCs) or Shared Cost Additional Pension Contributions, (SCAPCs) the amount you buy in each **scheme year** is added to your **pension account**.

Your employer may also enhance your pension at their **discretion**. Your employer can grant you up to £6,822 extra annual pension. This is a **discretion** your employer can use if they so wish and they will publish their policy on this. Any extra pension awarded by your employer is added to your **pension account** in the **scheme year** in which it is awarded.

**If you transfer a previous pension into the LGPS** the amount of pension that the transfer purchases are added to your **pension account** in the **scheme year** in which the transfer takes place.

**If you have a Court order** requiring that part of your pension should be transferred to an ex-spouse or civil partner following divorce or dissolution of a **civil partnership** then an amount is deducted from your **pension account** in the **scheme year** in which the Court order takes effect.

**If you have an annual allowance tax charge** applied to your LGPS benefits then an amount is deducted from your **pension account** in the **scheme year** when the charge is due.

At the end of every **scheme year** the value of the pension held in your **pension account** is revalued. Revaluation means that the value of your pension keeps up with the cost of living. The value of your pension is revalued in line with **HM Treasury Revaluation Orders** which currently use the rate of the **Consumer Prices Index (CPI)** to revalue your **pension account**. If the cost of living falls, and a negative **HM Treasury Revaluation Order** is issued the value of the pension held in your **pension account** is reduced.

## Your Pension

### How is my pension worked out - an example

Let's look at the buildup in a member's *pension account* for 5 years in the scheme.

Let's assume that the member joins the scheme on 1 April 2014, that their **pensionable pay** is £24,500 in **scheme year 1** and their **pensionable pay** increases by 1% each year. The cost of living (revaluation adjustment) for the end of the **scheme years** ending on 31 March 2015, 31 March 2016, 31 March 2017 and 31 March 2018 is 1.2%, -0.1%, 1% and 3% respectively; let's assume that the cost of living (revaluation adjustment) for the following year is 2%.

Scheme Year	Opening Balance	Pension Build up in Scheme Year <small>Pay/ Build up rate = Pension</small>	Total Account 31 March	Cost of Living Revaluation Adjustment	Updated Total Account
1 2014/15	£0.00	£24,500/ 49 = <b>£500</b>	£500	1.2% = £6	£500 + £6 = <b>£506</b>
2 2015/16	£506	£24,745/ 49 = <b>£505</b>	£1,011.00	-0.1% = -£1.01	£1,011.00 + - £1.01 = <b>£1,009.99</b>
3 2016/17	£1,009.99	£24,992.45/ 49 = <b>£510.05</b>	£1,520.04	1% = £15.20	£1,520.04 + £15.20 = <b>£1,535.24</b>
4 2017/18	£1,535.24	£25,242.37/ 49 = <b>£515.15</b>	£2,050.39	3% = £61.51	£2,050.39 + £61.51 = <b>£2,111.90</b>
5 2018/19	£2,111.90	£25,494.79/49 = <b>£520.30</b>	£2,632.20	2% = £52.64	£2,632.20 + £52.64 = <b>£2,684.84</b>

Let's assume that the member had a period of time in the 50/50 section of the scheme and for 6 months from 1 April 2015 to 30 September 2015 this member paid half their normal pension contributions in return for half their normal pension build up. Their *pension account* would look as follows:

Scheme Year	Opening Balance	Pension Build up in Scheme Year <small>Pay/ Build up rate = Pension</small>	Total Account 31 March	Cost of Living Revaluation Adjustment	Updated Total Account
1 2014/15	£0.00	£24,500/ 49 = <b>£500</b>	£500	1.2% = £6	£500 + £6 = <b>£506</b>
2 2015/16	£506	£12,372.50 / 98 = <b>£126.25</b>  £12,372.50/ 49 = <b>£252.50</b>	£884.75	-0.1%= -£0.88	£884.75 + -£0.88 = <b>£883.87</b>
3 2016/17	£883.87	£24,992.45/ 49 = <b>£510.05</b>	£1,393.92	1% = £13.94	£1,393.92 + £13.94 = <b>£1,407.86</b>

## Your Pension

<b>4</b>	£1,407.86	£25,242.37/ 49 = <b>£515.15</b>	£1,923.01	3% = £57.69	£1,923.01 + £57.69 = <b>£1,980.70</b>
2017/18					
<b>5</b>	£1,980.70	£25,494.79/49 = <b>£520.30</b>	£2,501.00	2% = £50.02	£2,501.00 + £50.02 = <b>£2,551.02</b>
2018/19					

**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>5</sup>. For every £1 of annual pension that you give up you will receive a £12 lump sum. In the same way, giving up £100 of your annual pension would give you £1,200 lump sum, and so on.

Your pension can be reduced or increased, depending on your reasons for taking your pension benefits - see **when can I retire and draw my LGPS pension** below.

**If you joined the LGPS before 1 April 2014** you will have benefits in the final salary scheme. Benefits built up before 1 April 2014 are worked out differently and are calculated using your membership in the scheme prior to 1 April 2014 and your **final pay** when you leave the scheme.

**For each year of LGPS membership built up between 1 April 2008 and 31 March 2014** you receive a pension based on 1/60<sup>th</sup> of your **final pay**.

**For each year of LGPS membership built up before 1 April 2008** you receive a pension based on 1/80<sup>th</sup> of your **final pay**. You will also receive an automatic lump sum. Please read the section **If you Joined the LGPS before 1 April 2014** for more information.

If you were paying into the LGPS on 31 March 2012 and were within 10 years of age 65 on 1 April 2012, you may have additional protection to ensure that the value of the pension you could have built up in the main section of the scheme after 31 March 2014 is at least as good as the amount of pension you could have built up if you had continued to build up pension at the rate of 1/60<sup>th</sup> of your **final pay** for each year of membership. Please read the section **If you Joined the LGPS before 1 April 2014** for more information.

### **What options do I have on when I draw my benefits from the scheme?**

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

#### **Taking a lump sum**

As mentioned earlier, when you draw your pension 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

<sup>5</sup> Provided the lump sum does not exceed £257,500 (2018/19 figure), or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

## Your Pension

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

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

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 Cheshire Pension 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 Cheshire Pension 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 Pension Contributions (APCs) or Shared Cost Additional Pension Contributions (SCAPCs) either by regular payment or you made a one-off lump sum payment.**

When you draw your pension, this will include the extra pension that you have paid for. However, if you are paying APCs or SCAPCs when you retire and qualify for the type of ill health pension where your benefits are enhanced (Tier 1 and Tier 2 ill health pensions), 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 your **Normal Pension Age**, or you are retired on redundancy or business efficiency grounds before your **Normal Pension Age**, the extra pension you have bought will be reduced for early payment.

If you draw your benefits on flexible retirement, you can, if you wish, draw all the extra pension you have paid for too, although it will be reduced for early payment. If you do so, your APC contract and / or SCAPC contract will cease (if you are still paying these extra contributions when you draw your benefits) although you will be able to take out a new APC contract (provided you are at least one year before your **Normal Pension Age** if you want to pay the APCs by regular contributions) or, subject to your employer's discretions policy, a new SCAPC contract.

If you draw your pension after your **Normal Pension Age**, the amount of any extra pension you have bought will be increased as its being paid later.

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.

## Your Pension

### **If you are buying extra LGPS pension by paying Additional Regular Contributions (ARCs)**

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

However, if you are paying ARCs when you retire and qualify for the type of ill health pension where your benefits are enhanced (Tier 1 and Tier 2 ill health pensions), 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 before that age, the extra pension you have bought will be reduced for early payment.

If you draw your benefits on flexible retirement, you can, if you wish, draw all the extra pension you have paid for, although it will be reduced for early payment. If you choose to draw the extra pension on flexible retirement, your ARCs contract will cease (if you are still paying these extra contributions when you draw your benefits).

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 below for the rules on ill health retirement. This extra membership is worked out using your **final pay** when you leave and is included in your membership built up in the scheme before April 2014. For further information on how this is worked out see the section [If you Joined the LGPS Before 1 April 2014](#).

If you retire on ill health grounds whilst 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 whilst 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.

If you draw your benefits on taking flexible retirement and you elected before 1 October 2006 to commence your added years contract 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 you elected on or after 1 October 2006 to commence your added years contract, you can, if you wish, choose to be credited with the extra years of membership that you have paid for at the point of flexible retirement and this will increase the value of your benefits paid. If you choose to be credited with the extra years of membership on flexible retirement, your added years contract will cease (if you are still paying these extra contributions when you draw your benefits). If you do not choose to be credited with the extra years of membership on flexible retirement, your added years contract will continue.



## Your Pension

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. The reduction is applied based on the **Normal Pension Age** applicable to benefits built up before April 2014. For further information on how this is worked out see the section [If you Joined the LGPS Before 1 April 2014](#).

### **If you are paying *Additional Voluntary Contributions (AVCs)* arranged through the LGPS (in-house AVCs)**

Your contributions will cease when you cease to contribute to the LGPS (or cease two days before age 75 if you carry on in work beyond that age). However, the rules are slightly different if you take flexible retirement, as explained later.

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

- **Buy one or more annuities**

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 would buy an annuity at the same time as you take your LGPS benefits.

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**

When you take your LGPS benefits you can 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 can provide dependants' benefits. The pension you buy is based on set purchase factors which can vary from time to time.

- **Take your AVCs as cash**

You can take some or all of your AVC fund as a tax-free cash lump sum<sup>6</sup> but you can only take it all as a lump sum if you draw it at the same time as your main LGPS

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<sup>6</sup> Provided the lump sum does not exceed £257,500 (2018/19 figure), or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.



## Your Pension

benefits and 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).

- **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 flexible retirement, 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 2014](#).

- **Transfer your AVC fund to another pension scheme or arrangement**

You can transfer your AVC fund to another pension scheme or arrangement, including to a scheme that offers flexible benefits, independently of your main scheme benefits; and provided you have stopped paying AVCs, you can even transfer your AVC fund even if you continue to contribute to the LGPS.

If you were to transfer your AVC funds to a defined contribution scheme the four main flexible benefit options that the scheme might offer (from age 55) include:

- to purchase an annuity (yearly pension) or scheme pension
- taking a number of cash sums at different stages
- taking the entire pot as cash in one go
- flexi access drawdown - using your pension pot to provide a flexible income. You are normally allowed to take a tax-free lump sum of up to 25% then set aside the rest to provide taxable lump sums as and when, or a regular taxable income.

You should be aware that there may be tax implications associated with accessing flexible benefits. The income from a pension is taxable; the rate of tax you would pay depends on the amount of income that you receive from a pension and from other sources.

Pension guidance is available from the Government's guidance website Pension Wise if you are considering taking flexible benefits. The guidance is free and impartial and can be accessed on the internet, by phone, or face to face. For more information see [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)

If you are considering taking flexible benefits you should consider accessing this pension guidance and taking independent advice to help you decide which option is most suitable for you.

Please note, Pension Wise does not provide guidance about taking benefits from a defined benefit scheme such as the LGPS.

## Your Pension

**If you draw benefits on flexible retirement** and your AVC contract started on or after 13 November 2001 you can choose to take all of your AVC fund at the time you take your flexible retirement benefits, and, if you wish, continue paying AVCs. If your AVC contract started before 13 November 2001 your AVC contract will cease and you will have to use all of your AVC fund in one of the above ways at the time you draw your flexible retirement benefits.

**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 or drawn at the same time as your LGPS benefits.

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

### When can I retire and draw my LGPS pension

The **Normal Pension Age** in the LGPS is linked to your **State Pension Age** (but with a minimum of age 65). You can choose to retire and draw your pension from the LGPS at any time from age 55 to 75, provided you have met the 2 years **vesting period** in the scheme. If you choose to take your pension before your **Normal Pension Age** it will normally be reduced, as it's being paid earlier. If you take it later than your **Normal Pension Age** it's increased because it's being paid later. You must draw your benefits in the LGPS before your 75<sup>th</sup> birthday.

You may have to retire at your employer's instigation, perhaps because of redundancy, business efficiency or permanent ill health. Your LGPS benefits, even in these circumstances will, provided you have met the 2 years **vesting period** in the scheme and (in the case of retirement due to redundancy or business efficiency) you are aged 55 or over, provide you with an immediate retirement pension.

If you voluntarily choose to retire before, on or after your **Normal Pension Age** you can defer drawing your benefits but you must draw them before age 75. If you draw your pension after your **Normal Pension Age**, your benefits will be paid at an increased rate to reflect late payment.

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

### Voluntary Retirement

You can voluntarily retire and draw retirement benefits at any age on or after age 55 and before age 75, provided you have met the 2 years **vesting period** in the scheme.

#### Voluntary retirement at Normal Pension Age

You can voluntarily retire and draw your benefits in full at your **Normal Pension Age**.

For benefits built up from April 2014 your **Normal Pension Age** is linked to your **State Pension Age** (but with a minimum of age 65). It is the age at which you can take the pension you have built up in full. If you choose to take your pension before your **Normal**

## Your Pension

**Pension Age** it will normally be reduced, as it's being paid earlier. If you take it later than your **Normal Pension Age** it's increased because it's being paid later.

Please note that if you were in the LGPS before 1 April 2014 your benefits built up before that date will have a different **Normal Pension Age**, which for most is age 65.

For further information on when benefits built up before 1 April 2014 are payable see the section [If you Joined the LGPS Before 1 April 2014](#).

### **If the State Pension Age changes in the future how does this affect my LGPS pension?**

As the **Normal Pension Age** is linked to **State Pension Age** any changes to **State Pension Age** in the future will apply to all the pension you build up in the scheme after 31 March 2014. That means that the age when you can take your pension without suffering any actuarial reduction or actuarial increase to your pension will change.

If you built up membership in the LGPS before April 2014 then you will have membership in the final salary scheme. These benefits have a different **Normal Pension Age**, which for most is age 65. For further information on when benefits built up before 1 April 2014 are payable please read the section [If you Joined the LGPS Before 1 April 2014](#).

### **Choosing to retire and draw your pension benefits before your Normal Pension Age**

You can choose to retire and draw your pension from age 55. You do not need your employer's consent to draw your pension before your **Normal Pension Age**. Your pension is normally reduced if it is paid before your **Normal Pension Age**.

If you built up pension in the LGPS before 1 April 2014 then protections are in place for the **Normal Pension Age** that applies to those benefits. In addition, if you were a member of the LGPS at any time between 1 April 1998 and 30 September 2006, you may have Rule of 85 protections which mean that if you voluntarily retire before your **Normal Pension Age** you will not suffer an actuarial reduction to some or all of your benefits. To find out more on protections for pre 1 April 2014 membership please read the section [If you Joined the LGPS Before 1 April 2014](#).

### **Will my pension be reduced if I voluntarily retire before my Normal Pension Age?**

If you choose to retire before your **Normal Pension Age** your benefits will normally be reduced to take account of being paid for longer. Your benefits are initially calculated as detailed under the heading **How your pension is worked out?** and are then reduced. How much your benefits are reduced by depends on how early you draw them.

The reduction is calculated in accordance with guidance issued by the Secretary of State from time to time. The reduction is based on the length of time (in years and days) that you retire early – i.e. the period between the date your benefits are paid and your **Normal Pension Age**. The earlier you retire, the greater the reduction.

## Your Pension

As a guide, the percentage reductions (effective from 29 April 2016) for retirements up to 13 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%	0.0%
1	5.6%	5.2%
2	10.8%	10.1%
3	15.5%	14.6%
4	20.0%	18.8%
5	24.0%	22.7%
6	27.8%	26.4%
7	31.4%	29.8%
8	34.7%	33.0%
9	37.7%	36.1%
10	40.6%	38.9%
11	44.2%	42.2%
12	47.6%	45.5%
13	50.9%	48.6%

Your employer can agree not to make any reduction. This is a **discretion** and you can ask them what their policy on this is.

You can reduce or avoid the reductions by not taking immediate payment of your benefits on retirement i.e. by delaying payment until a later date. If you decide not to draw immediate benefits, the benefits would normally become payable at your **Normal Pension Age** but you can defer payment beyond that age, although benefits must be paid by age 75.

**If you were a member of the LGPS at any time between 1 April 1998 and 30 September 2006**, some or all of your benefits paid early could be protected from the reduction if you are a rule of 85 protected member. You can find out more about rule of 85 protections from the section [If you Joined the LGPS Before 1 April 2014](#).

### Choosing to carry on working after your Normal Pension Age

If you choose to carry on working after **Normal Pension Age** you will continue to pay into the LGPS, building up further benefits. When you eventually retire you will receive your pension unless you choose to delay drawing it. You must draw your pension by no later than age 75.

To take account of the fact that you will be drawing your pension after your **Normal Pension Age** your benefits will be paid at an increased rate, with your pension being increased by 0.010% for each day your benefits are drawn later than your **Normal Pension Age**.

# Your Pension

## Early Retirement through Redundancy or Business Efficiency

### What happens if I lose my job through redundancy or business efficiency?

If you are aged 55 or over, your main 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 and you have met the 2 years **vesting period** in the scheme. However, any additional pension paid for by Additional Pension Contributions or Shared Cost Additional Pension Contributions would be paid at a reduced rate if the retirement occurred before your **Normal Pension Age** (to take account of the additional pension being paid for longer).

If you were a member of the LGPS before 1 April 2014 the pension you built up before then is based on your **final pay** when you leave the scheme - please read the section **If you Joined the LGPS Before 1 April 2014**. Also, if you have bought additional pension by Additional Regular Contributions, that additional pension would be paid at a reduced rate if the retirement occurred before your pre 1 April 2014 **Normal Pension Age** which, for most, is age 65.

## 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 you have to have met the 2 years **vesting period** in the scheme and your employer, based on an opinion from an independent occupational health physician appointed by them, must be satisfied that you will be permanently unable to do your own job until your **Normal Pension Age** and that you are not immediately capable of undertaking gainful employment.

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 gainful employment after you leave.

The different levels of benefit are:

- **Tier 1: If you are unlikely to be capable of gainful employment before your Normal Pension Age**, ill health benefits are based on the pension you have already built up in your **pension account** at your date of leaving the scheme plus the pension you would have built up, calculated on **assumed pensionable pay**, had you been in the main section of the scheme until you reached your **Normal Pension Age**.
- **Tier 2: If you are unlikely to be capable of gainful employment within 3 years of leaving, but are likely to be capable of undertaking such employment before your Normal Pension Age**, ill health benefits are based on the pension you have already built up in your **pension account** at your date of leaving the scheme plus 25% of the pension you would have built up calculated on **assumed pensionable**

## Your Pension

**pay**, had you been in the main section of the scheme until you reached your **Normal Pension Age**.

- **Tier 3: If you are likely to be capable of gainful employment within 3 years of leaving, or before your Normal Pension Age if earlier**, ill health benefits are based on the pension you have already built up in your **pension account** at leaving. Payment of these benefits will be stopped after 3 years, or earlier if you are in gainful employment or become capable of such employment, provided you have not reached your **Normal Pension Age** by then. If the payment is stopped it will normally become payable again from your **Normal Pension Age** but there are provisions to allow it to be paid earlier. Details would be provided at the time.

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

However, if you have previously received a Tier 1 ill-health pension from the LGPS, or were awarded an LGPS ill-health pension before 1 April 2008, then no enhancement can be added to your **pension account** if you are retired again for reasons of ill-health.

If you have previously received a Tier 2 ill-health pension from the LGPS, any enhancement due upon a subsequent ill-health retirement is adjusted and capped. If, in respect of the subsequent ill-health retirement you are awarded a Tier 1 or Tier 2 pension, the enhancement cannot exceed three quarters of the number of years between the initial ill health retirement and your **Normal Pension Age**, less the number of years of active membership since the initial ill-health retirement.

Where an enhancement is payable, the additional pension is added to your **pension account**.

Where an independent registered medical practitioner certifies that, during the period used to determine **assumed pensionable pay**, you were working reduced contractual hours because of the ill-health which led to your retirement, the **assumed pensionable pay** is to be calculated on the pay you would have received during that period had you not been working reduced contractual hours.

If you were paying into the LGPS before 1 April 2014, the pension you built up before then is based on your **final pay** when you leave the scheme. To find out more on protections for pre 1 April 2014 membership please read the section [If you Joined the LGPS Before 1 April 2014](#).

### Flexible Retirement

#### Can I have a gradual move into retirement?

Rather than continuing in your job to your **Normal Pension Age** 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 you have met the 2 years **vesting period** in the scheme and 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.



## Your Pension

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 Cheshire Pension Fund

### **Do I have to draw all my pension benefits if I take flexible retirement?**

If your employer agrees to flexible retirement then you would have to draw:

- all of the benefits that relate to any pre 1 April 2008 membership, plus
- all, none or some of the benefits that relate to your membership from 1 April 2008 to 31 March 2014, plus
- all, none or some of the benefits that relate to your pension built up from 1 April 2014, plus
- any additional benefits bought under an added years contract which commenced before 1 October 2006 or derived from an **Additional Voluntary Contributions (AVC)** contract that commenced before 13 November 2001, plus
- any additional pension being purchased either through Additional Pension Contributions (APCs), Shared Cost APCs or Additional Regular Contributions (ARCs), any additional pension awarded by your employer and any benefits derived from an AVC contract that commenced on or after 13 November 2001 (should you choose to draw these).

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

If you take flexible retirement before your **Normal Pension Age** your benefits, initially calculated as detailed under the heading **Choosing to retire and draw your pension benefits before your Normal Pension Age** will normally be reduced for early payment.

**If you were a member of the LGPS at any time between 1 April 1998 and 30 September 2006**, some or all of your benefits paid early could be protected from the reduction if you are a rule of 85 protected member. You can find out more about rule of 85 protections from the section [If you Joined the LGPS Before 1 April 2014](#).

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 whilst you are in a job with the employer that allowed you to take flexible retirement. However, if you leave and are re-employed in **local government** or by an employer who offers membership of the LGPS and part of your pension in payment is in respect of pension you built up prior to 1 April 2014, you must tell the LGPS fund that pays your pension about your new position, regardless of whether you join the scheme in your new position or not. They will let you know whether your pension in payment is affected in any way.

If you take flexible retirement after your **Normal Pension Age** your benefits will be increased to reflect late payment. See the section above **Choosing to carry on working after your Normal Pension Age** for more information.



## Your Pension

### More about your LGPS retirement benefits

#### What are the HM Revenue and Custom tax controls on my LGPS benefits?

There are HM Revenue and Customs 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).

You can find out about HM Revenue and Customs controls on your pension savings from the section on [Tax Controls and Your LGPS Benefits](#).

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

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

On retiring on or after age 55 your LGPS pension increases in line with the cost of living every year throughout your retirement. **If the cost of living increases, so will your pension.** 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 **Guaranteed Minimum Pension (GMP)**, then 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**.

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**.

#### Information about 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**.

A new single tier, flat rate State Pension has been introduced for people who reach State Pension age on or after 6 April 2016. It replaces the basic and additional State Pension that is payable to people who reached State Pension age before 6 April 2016. You will be able to claim the new State Pension when you reach State Pension age if you're:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

and, normally, have at least 10 years qualifying years on your National Insurance record.

## Your Pension

If you do not know what your State Pension age is you can use the [State Pension age calculator](#) to find this out.

You should be aware that, as a member of the LGPS, if you are eligible for the new State Pension you might not receive the full amount. This is because as a member of the LGPS you are likely to have paid a lower amount of National Insurance in previous years. More information about this and the new State Pension can be found at [www.gov.uk/yourstatepension](http://www.gov.uk/yourstatepension).

**State Pension Age** is currently age 65 for men.

**State Pension Age** for women is currently being increased to be equalised with that for men and will reach 65 by December 2018.

### State pension age equalisation timetable for women

Date of Birth	New State Pension Age
Before 6 April 1950	60
6 April 1950 - 5 April 1951	In the range 60 - 61
6 April 1951 - 5 April 1952	In the range 61 - 62
6 April 1952 - 5 April 1953	In the range 62 - 63
6 April 1953 - 5 August 1953	In the range 63 - 64
6 August 1953 - 5 December 1953	In the range 64 - 65

The **State Pension Age** will then increase to 66 for both men and women from December 2018 to October 2020.

### Increase in State Pension Age from 65 to 66 for men and women

Date of Birth	New State Pension Age
6 December 1953 - 5 October 1954	In the range 65 - 66
After 5 October 1954	66

Under current legislation the State pension age is due to rise to 67 between 2026 and 2028 and to 68 between 2044 and 2046. However the government has [announced plans](#) to bring forward the rise to 68 to between 2037 and 2039.

## More information

For more information or if you have a problem or question about your LGPS benefits, please contact the Cheshire Pension Fund. **Contact details can be found at the front of this booklet.**

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

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](#).

## Transferring Pension Rights into the LGPS

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

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the back of this booklet.

**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 in England or Wales**

If you rejoin the LGPS after having previously built up LGPS pension rights (i.e. you previously left an LGPS employment with deferred benefits) then these deferred benefits **can** be joined with your new active ***pension account*** in the scheme unless you became entitled to the deferred benefit as a result of making an election, on or after 11 April 2015, to opt out of membership of the scheme. If that is the case, you will not be permitted to join the two periods of membership together and, instead, you will have two separate sets of pension benefits in the scheme.

If you rejoin the LGPS after having previously left an LGPS employment without building up rights to a deferred pension but you deferred taking a refund of contributions (normally where you have less than two years membership) then this deferred refund **must** be joined with your new active ***pension account*** in the scheme.

Where you have more than one employment and therefore more than one ***pension account*** in the LGPS you can elect which account to aggregate your previous LGPS pension rights with.

**I have deferred benefits in the LGPS in England or Wales (which I did not become entitled to as a result of making an election, on or after 11 April 2015, to opt out of membership of the scheme). What happens to these when I rejoin the scheme?**

When you rejoin the LGPS you have 12 months from rejoining (or such longer period as your employer may allow) to elect to keep your deferred benefits separate from your new ***pension account*** otherwise these deferred benefits are automatically joined with your new ***pension account***.

## Transferring Pension Rights into the LGPS

Where you have more than one employment and therefore more than one **pension account** in the LGPS you can elect which account to aggregate your deferred benefits with.

Special rules apply if you were a member of the LGPS in England or Wales on or before 31 March 2014. These are set out below.

- **If you were a member of the LGPS at both the 31 March 2014 and 1 April 2014** and subsequently left an employment (or opted out) with **deferred benefits**, provided you did not have a continuous break of more than 5 years in active membership of any **public service pension scheme**, your deferred benefits will automatically be joined with your new **pension account** (or, where the deferred benefits arose from the cessation of a concurrent job, automatically be joined with the **pension account** from the ongoing employment) unless you elect within 12 months of rejoining to keep your deferred benefits separate. If the benefits are joined and you have more than one **pension account** you will need to choose which account the deferred benefits are to be added to.

Where the benefits are joined, the pension from the former employment which you built up on or after 1 April 2014 will be added to your active **pension account**.

The membership you built up before 1 April 2014 will continue to be calculated as a final salary benefit, with your **final pay** when you leave the active employment used to work out the benefits for your pre 1 April 2014 membership.

- **If you were a member of the LGPS at both the 31 March 2014 and 1 April 2014** and subsequently left an employment (or opted out) with **deferred benefits**, or ceased a concurrent job, with a continuous break of more than 5 years in active membership of any **public service pension scheme**, your deferred benefits will automatically be joined with your new **pension account** (or, where the deferred benefits arose from the cessation of a concurrent job, automatically be joined with the **pension account** from the ongoing employment) unless you elect within 12 months of rejoining to keep your deferred benefits separate. If the benefits are joined and you have more than one **pension account** you will need to choose which account the deferred benefits are to be added to.

Where the benefits are joined, the pension from the former employment which you built up on or after 1 April 2014 will be added to your active **pension account**.

The membership you built up before 1 April 2014 will purchase an amount of pension under the rules of the scheme at the time of the transfer and this will be added to your active **pension account**.

- **If you were a member of the LGPS before 31 March 2014** and left an employment (or opted out) before this date with **deferred benefits** then provided you did not have a continuous break of more than 5 years in active membership of any **public service pension scheme** and you rejoined the LGPS after 31 March 2014 you can elect within 12 months of rejoining to be treated as a member of the scheme on 31 March 2014 and 1 April 2014.

## Transferring Pension Rights into the LGPS

If you choose to be considered a member of the scheme on these dates, your membership (built up) before 1 April 2014 will automatically be joined with your new **pension account** and will continue to be calculated as a final salary benefit with your **final pay** when you leave the active employment used to work out the benefits for your pre 1 April 2014 membership.

If you do not choose to be considered a member of the scheme on 31 March 2014 and 1 April 2014, you can elect for the membership you built up before 1 April 2014 to purchase an amount of pension under the rules of the scheme at the time of the transfer and this will be added to your active **pension account**. If you do not make such an election you will retain separate deferred benefits.

- **If you were a member of the LGPS before 31 March 2014** and left an employment (or opted out) before this date with **deferred benefits** with a continuous break of more than 5 years in active membership of any **public service pension scheme** and you rejoined the LGPS after 31 March 2014 you can elect for these deferred benefits to be transferred to your new **pension account**. Where you elect for that to happen, the membership you built up before 1 April 2014 will purchase an amount of pension under the rules of the scheme at the time of the transfer and this will be added to your active **pension account**. If you do not make such an election you will retain separate deferred benefits.

**In any of the above situations, if you elect to keep your deferred benefits separate** from your new active **pension account** then the value of the deferred benefits will increase to keep up with the cost of living.

### **I have a deferred refund in the LGPS in England or Wales. What happens to this refund when I rejoin the scheme?**

When you rejoin the LGPS you must, if you have not had a break of more than 5 years in active membership of the LGPS in England or Wales, combine the pension in your deferred refund account with your new active **pension account**.

Where you have more than one employment and therefore more than one active **pension account** in the LGPS you can elect which account to aggregate your deferred refund with.

However, if you have had a break of more than 5 years in active membership of the LGPS in England or Wales, you will not be able to combine the pension in your deferred refund account with your new active **pension account** and must, instead, take a refund of contributions.

## Transferring Pension Rights into the LGPS

Special rules apply if you were a member of the LGPS in England or Wales on or before 31 March 2014. These are set out below.

- **If you were a member of the LGPS at both the 31 March 2014 and 1 April 2014** and subsequently left an employment (or opted out) with a deferred refund, provided you did not have a break of more than 5 years in active membership of the LGPS in England or Wales your deferred refund will automatically be joined with your new **pension account** (or, where the deferred refund arose from the cessation of a concurrent job, automatically be joined with the **pension account** from the ongoing employment). If you have more than one **pension account** you will need to choose which one the deferred refund is to be added to.

The pension from the former employment which you built up on or after 1 April 2014 will be added to your active **pension account**.

The membership you built up before 1 April 2014 will continue to be calculated as a final salary benefit, with your **final pay** when you leave the active employment used to work out the benefits for your pre 1 April 2014 membership.

However, if you did have a break of more than 5 years in active membership of the LGPS in England or Wales, you will not be able to combine your deferred refund with your new active pension account and must, instead, take a refund of contributions.

- **If you were a member of the LGPS before 31 March 2014** and left an employment (or opted out) before this date with a deferred refund and subsequently rejoined the LGPS after 31 March 2014, your deferred refund will purchase an amount of pension under the rules of the scheme at the time of the transfer and this will be added to your active **pension account**.

To find out more on protections for membership built up before 1 April 2014 and see how this is calculated read the section [If you Joined the LGPS Before 1 April 2014](#). If you wish to transfer your previous LGPS pension rights you should contact the Cheshire Pension 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. A non-LGPS arrangement must be another **registered pension scheme** or a European pensions institution. For details on how, under **Club transfer rules**, transfers from another **public service pension scheme** are treated, including a transfer from the LGPS in Scotland or Northern Ireland, see **Transfers from another public service pension scheme** below.

You have only 12 months from joining the LGPS to opt to transfer your previous pension rights, unless your employer and Cheshire West and Chester Council allows you longer.



## Transferring Pension Rights into the LGPS

This is a **discretion** and you can ask your employer and Cheshire West and Chester Council 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 an amount of extra pension which is added to your **pension account**. If you transfer your previous pension rights into the LGPS your retirement benefits will be increased. The extra pension is added to your **pension account** in the **scheme year** that the transfer payment is received.

Any request you make to investigate a transfer will not be binding until you have been supplied with full details of the amount of extra pension the transfer payment will buy and subsequently confirm that you wish the transfer to go ahead. Transfer quotations provided by a former pension provider are guaranteed for 3 months.

You will need to carefully consider whether to transfer or not, as a transfer may not always be advantageous. For example, you should compare the amount of extra pension the transfer payment will buy in the LGPS, when that pension is normally payable from (i.e. your **Normal Pension Age**) and the other LGPS benefits (e.g. the ability to retire and draw benefits earlier than **Normal Pension Age**, death and survivor benefits, etc.) against the value of the package of benefits if left with your previous pension scheme provider. Transfers from public sector schemes are treated differently if transferred in under **Club transfer rules** - see **If you have pension rights with another public service pension scheme** below for more information on these type of transfers.

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.

Cheshire West and Chester Council may decline to accept a transfer from a non-LGPS arrangement.

### **If you have pension rights with another public service pension scheme where Club transfer rules apply**

Provided you have not had a break of more than 5 years between leaving another **public service pension scheme** (including the LGPS in Scotland or Northern Ireland) and joining the LGPS in England and Wales and the election to transfer is made within 12 months of joining the LGPS in England and Wales, the transfer may be dealt with under preferential rules known as **Club transfer rules**.

Under the **Club transfer rules** if you opt to transfer pension rights from a **public service pension scheme** the amount of extra pension which is added to your **pension account** will be equal to the amount of pension you had built up in your pension account with your previous pension scheme (increased by that scheme's 'in-service' revaluation rate if there had been a break between leaving that scheme and joining the LGPS and adjusted to take account of differences in the schemes).

The extra pension would be added to your **pension account** in the LGPS the **scheme year** that the transfer payment is received.



## Transferring Pension Rights into the LGPS

Also, under the **Club transfer rules**, where a transfer from another **public service pension scheme** includes a final salary element (membership built up in a final salary scheme which in most cases is membership up to 31 March 2015) that element would buy final salary scheme membership in the LGPS provided you have not had a continuous break in active membership of a **public service pension scheme** of more than 5 years. The transfer value will give you broadly equivalent benefits in the LGPS, provided you apply for the transfer within 12 months of joining the LGPS. In addition, if you were an active member of the other **public service pension scheme** on 31 March 2012 and were within 10 years of age 65 on 1 April 2012, you may qualify for the **underpin** protection in the LGPS. The underpin protection means that you will get a pension at least equal to the pension you would have received in the LGPS if the scheme had not changed on 1 April 2014. To find out more about the underpin read the section [If you Joined the LGPS Before 1 April 2014](#).

### **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 UK taxable earnings in any one tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a “tax relief at source” arrangement, such as a personal pension or stakeholder pension scheme) 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. Most people will not be affected by these controls. To find out more, see the section on [Tax Controls and Your LGPS Benefits](#).

### **I have paid Additional Voluntary Contributions (AVCs). Can I transfer them into the LGPS?**

If you have paid AVCs to the LGPS in England or Wales, the accrued value of your AVCs must be transferred to an AVC arrangement offered by your new administering authority if you transfer your main scheme benefits.

However, there is an exception to this rule. If you were previously a member of the LGPS on 31 March 2014 and 1 April 2014 (or you were not a member on those dates but elect within 12 months of returning to the LGPS to be treated as if you had been a member on those dates) and you do not have a continuous break in active membership of a **public service pension scheme** of more than 5 years, you can choose not to transfer the accrued value of your AVCs to an AVC arrangement offered by your new administering authority.

If you have paid AVCs to a scheme (other than to the LGPS in England or Wales) or you have paid Free-Standing AVC (FSAVCs) you may be able transfer your accrued AVC fund into the main LGPS pension scheme. An election to do so must be made within 12 months of joining the LGPS, unless your employer exercises a **discretion** to allow you longer. You can ask your employer what their policy is on this matter.

## Transferring Pension Rights into the LGPS

### How do I transfer?

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

**Remember**, you only have 12 months from joining the LGPS to opt to transfer your previous pension rights, unless your employer and, in the case of a transfer from a non-LGPS scheme, Cheshire West and Chester Council 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 as 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 9  
Mail Handling Site A  
Wolverhampton, WV98 1LU

Telephone 0800 731 0193  
Or visit: [www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension)

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

### More information

For information on how your LGPS pension is worked out, see the section on [Your Pension](#).

For more information on transferring or if you have a problem or question about your LGPS membership or benefits, please contact the Cheshire Pension Fund. **Contact details can be found at the front of this booklet.**

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

## Leave of Absence and the LGPS

**In this section you can find out about how the pension you built up in the LGPS could be affected if you are off work for any reason.**

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the back of this booklet.

There are many reasons for absence and each has a different effect on the pension you build up in the LGPS.

### **What happens if I am on sick leave?**

If you are off work due to sickness or injury and your contractual pay is reduced or you don't receive any pay then the ***pensionable pay*** figure used to work out your pension for this period is your ***assumed pensionable pay***. Using your ***assumed pensionable pay***, rather than the amount of ***pensionable pay*** you actually receive when on sick leave, means that you will continue to build up a pension in the section of the LGPS you are in, as if you were working normally and receiving pay.

You will continue to pay your basic LGPS contributions on any pay that you receive while you are off sick (before any reduction on account of Statutory Sick Pay or Incapacity Benefit). If you are on unpaid sick leave, you will not pay any contributions.

If you are in the 50/50 section and go onto unpaid sick leave, you will automatically be moved to the main section of the scheme from the beginning of the next pay period if you are still on no pay at that time. This means from that point forward you will build up full pension benefits in the LGPS even though you are not paying pension contributions.

### **What happens if I am on maternity, adoption or paternity leave or shared parental leave?**

During any period of ***relevant child related leave*** the ***pensionable pay*** figure used to work out your pension is your ***assumed pensionable pay***<sup>7</sup>. Using your ***assumed pensionable pay*** (where this is higher than your actual ***pensionable pay*** received), rather than the amount of ***pensionable pay*** you actually receive when on ***relevant child related leave***, means that you will continue to build up a pension in the section of the LGPS you are in, as if you were working normally and receiving pay.

You will continue to pay your basic LGPS contributions on any pay that you receive while you are off on ***relevant child related leave***.

If you are in the 50/50 section and go onto no pay during ordinary maternity, paternity or adoption leave you will automatically be moved to the main section of the scheme from the beginning of the next pay period. This means from that point forward you will build up full pension benefits in the LGPS even though you are not paying pension contributions.

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<sup>7</sup> ***Unless the value of your pensionable pay received is greater than the value of your assumed pensionable pay.*** In such cases the value of the ***pensionable pay*** you received is used to work out your benefits as it would be higher than the value of your ***assumed pensionable pay***.

## Leave of Absence and the LGPS

However, any period of unpaid additional maternity or adoption leave or unpaid shared parental leave will not count for pension purposes unless you elect to pay Additional Pension Contributions (APCs) to purchase the amount of pension lost during that period of unpaid absence.

The amount of pension lost is calculated as the appropriate fraction of your lost **pensionable pay** for that period of absence (i.e.  $1/49^{\text{th}}$  of your lost **pensionable pay** if you were in the main section of the scheme or  $1/98^{\text{th}}$  if you were in the 50/50 section).

If you wish to purchase the amount of lost pension and make the election within 30 days of returning to work (or such longer period as your employer allows) then the cost of the APC is split between you and your employer. You will pay one-third of the cost and your employer will pay the rest. This is known as a Shared Cost Additional Pension Contract (SCAPC). You can pay these additional contributions in a one-off lump sum or through regular payments from your wages.

The maximum period of absence you can elect to buy back by a SCAPC is a period of 3 years.

You can obtain a quote and print off an application form to buy **lost** pension at [www.lgpsmember.org](http://www.lgpsmember.org)

**If you have membership of the LGPS before 1 April 2014** you will have built up benefits in the final salary scheme. If you choose to pay for the lost pension in the scheme the amount you pay will go towards covering the protections associated with the pre 1 April 2014 membership. To find out more, see the section [If you Joined the LGPS Before 1 April 2014](#).

If you have Keep in Touch (KIT) day(s) or Shared Parental Leave in Touch (SPLIT) day(s) during a period of unpaid additional maternity or adoption leave or unpaid shared parental leave you will build up a pension (based on the section of the scheme you are in) for the day(s) you are paid.

You can contact Cheshire Pension Fund for further information on paying Additional Pension Contributions.

### **What happens if I am granted unpaid leave of absence?**

If you are granted unpaid leave of absence, including jury service, the period will not count for pension purposes unless you elect to pay Additional Pension Contributions (APCs) to purchase the amount of pension lost during that period of absence. The amount of pension lost is calculated as the appropriate fraction of your lost **pensionable pay** for that period of absence (i.e.  $1/49^{\text{th}}$  of your lost **pensionable pay** if you were in the main section of the scheme or  $1/98^{\text{th}}$  if you were in the 50/50 section).

If you wish to purchase the amount of lost pension and make the election within 30 days of returning to work (or such longer period as your employer allows) then the cost of the APC is split between you and your employer. You will pay one-third of the cost and your employer will pay the rest. This is known as a Shared Cost Additional Pension Contributions (SCAPC). You can pay these additional contributions in a one-off lump sum or through regular payments from your wages.

## Leave of Absence and the LGPS

The maximum period of absence you can elect to buy back by a SCAPC is a period of 3 years.

You can obtain a quote and print off an application form to buy **lost** pension at [www.lgpsmember.org](http://www.lgpsmember.org).

**If you have membership of the LGPS before 1 April 2014** you will have built up benefits in the final salary scheme. If you choose to pay for the lost pension in the scheme the amount you pay will go towards covering the protections associated with the pre 1 April 2014 membership. To find out more, see the section **If you Joined the LGPS Before 1 April 2014**.

You can contact the Cheshire Pension Fund for further information on paying Additional Pension Contributions.

### What happens if I am on strike?

If you are absent for a day or more due to a trade dispute the period will not count for pension purposes unless you elect to pay Additional Pension Contributions (APCs) to purchase the amount of pension lost during that period of absence. The amount of pension lost is calculated as the appropriate fraction of your lost **pensionable pay** for that period of absence (i.e. 1/49<sup>th</sup> of your lost **pensionable pay** if you were in the main section of the scheme or 1/98<sup>th</sup> if you were in the 50/50 section).

The cost of purchasing the amount of lost pension for the period of absence would be met fully by you (unless your employer voluntarily chooses to make a contribution to the APC).

You can obtain a quote and print off an application form to buy **lost** pension at [www.lgpsmember.org](http://www.lgpsmember.org)

**If you have membership of the LGPS before 1 April 2014** you will have built up benefits in the final salary scheme. If you choose to pay for the lost pension in the scheme the amount you pay will go towards covering the protections associated with the pre 1 April 2014 membership. To find out more, see the section **If you Joined the LGPS Before 1 April 2014**.

You can contact the Cheshire Pension Fund for further information on paying Additional Pension Contributions.

### What happens if I am on reserve forces service leave?

If you are on **reserve forces service leave** and elect to remain in the LGPS your pension in the scheme will be worked out using your **assumed pensionable pay**. Using your **assumed pensionable pay** ensures that you will continue to build up pension as if you were in work rather than on **reserve forces service leave**. Any pay you do receive from your employer will not have pension contributions deducted from it.

If you go on **reserve forces service leave** and elect to stay in the LGPS your employer needs to tell you the amount of basic pension contributions you and the Ministry of Defence (MoD) must pay, the amount of any additional contributions you are paying in

## Leave of Absence and the LGPS

the LGPS, and the amount of **assumed pensionable pay** those contributions must be collected on. You will need to pass this information on to the MoD. Your employee contributions (and any additional contributions you are paying in the LGPS) will be deducted by the MoD and paid across to Cheshire West and Chester Council together with the employer contributions due.

### What if I am paying extra?

If you have:

- prior to 1 April 2014 entered into a contract to buy extra pension (ARCs) or,
- prior to 1 April 2014 entered into a contract to count pre 6 April 1988 membership for a surviving **eligible cohabiting partner's** pension or,
- prior to 1 April 2008 entered into a contract to buy extra LGPS membership (added years),

by paying extra pension contributions and you are absent from work due to sickness or injury on full or reduced pay, or absent due to **relevant child related leave**, authorised leave of absence, a trade dispute or **reserve forces service leave** where your reserve forces leave pay is equal to or greater than your normal pay, you must continue to pay the extra pension contributions you had contracted to pay as if you were not on leave. Where necessary, these can be collected from your pay when you return to work. If you are absent from work due to sickness or injury on no pay, or are on **reserve forces service leave** where your reserve forces leave pay is less than your normal pay, the extra contributions are deemed to have been paid.

If you have:

- entered into a contract to buy-back some previous part-time service,

by paying extra pension contributions and you are absent from work due to sickness or injury on full, reduced or no pay, or absent due to **relevant child related leave**, authorised leave of absence, a trade dispute or reserve forces service leave, you must continue to pay the extra pension contributions you had contracted to pay as if you were not on leave. Where necessary, these can be collected from your pay when you return to work.

If you have:

- entered into a contract to pay Additional Pension Contributions (APCs) or to pay Shared Cost APCs,

and you are absent from work due to sickness or injury on full or reduced pay, or absent due to **relevant child related leave**, authorised leave of absence, a trade dispute or **reserve forces service leave**, you must continue to pay the extra pension contributions you had contracted to pay as if you were not on leave. Where necessary, these can be collected from your pay when you return to work. If you are absent from work due to sickness or injury on no pay the extra contributions are deemed to have been paid.

## Leave of Absence and the LGPS

If you are:

- paying **Additional Voluntary Contributions** (AVCs) or Shared Cost AVCs (SCAVCs) which commenced on or after 1 April 2014,

and you are absent from work due to sickness or injury on reduced contractual or no pay, **relevant child related leave** or **reserve forces service leave** then you can continue to make payments in respect of any such AVC or SCAVC contracts.

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

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

### More information

For more information or if you have a problem or question about your LGPS benefits, please contact the Cheshire Pension Fund. **Contact details can be found at the front of this booklet.**

The national web site for members of the LGPS can be found at [www.lgpsmember.org](http://www.lgpsmember.org)

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**.



## 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 2014.**

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the back of this booklet.

### Vesting period for LGPS pension entitlement

**If you leave your job before retirement and have met the 2 years *vesting period*** you will have built up an entitlement to a pension. You will have two options in relation to that pension entitlement:

- 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, or
- alternatively, you may be able to transfer your deferred benefits to another pension arrangement.

**If you leave your job before retirement and have not met the 2 years *vesting period*** you will have three options:

- you will normally be able to 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)*** in respect of your membership up to 5 April 2016 when the LGPS was contracted out of 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 in England or Wales 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 (providing you have been a member of the LGPS for at least 3 months)
- you can delay your decision until you either re-join the LGPS, transfer your benefits to a new pension arrangement, or want to take a refund of contributions. Where you delay your decision you will have what is known as a deferred refund ***pension account***. Please note, however, that the account can only be held in your Pension Fund for a maximum of 5 years or until age 75, whichever is earlier. If you have not transferred your benefits to a new pension arrangement or rejoined the LGPS by that time a refund of contributions will automatically be payable to you.

If you have not met the 2 years ***vesting period*** when you leave but joined before 1 April 2014 and you have 3 or more months' membership you will have an entitlement to a deferred benefit instead of a refund (but you can opt within 6 months of leaving to receive a refund if you wish).

### If I'm eligible for a refund of contributions how are these worked out?

If you leave the scheme before meeting the 2 years ***vesting period*** you can choose a refund of contributions. A refund of contributions will include:

- any pension contributions you have paid, and
- any additional pension contributions or AVCs you have paid (other than AVCs paid for additional life cover), and
- any contributions you paid which were included in a transfer payment which the

## Leaving Your Job Before Retirement

LGPS received from another pension arrangement.

A refund of contributions will have a deduction for tax and also the cost, if any, of buying you back into the **State Second Pension (S2P)** in respect of your membership up to 5 April 2016 when the LGPS was contracted out of the **State Second Pension (S2P)**. If a refund is not paid within 1 year of you leaving the scheme then interest is payable. The rate of interest is 1% above base rate on a day to day basis from the date you left the scheme to the day the refund is paid (compounded with three monthly rests).

Your refund of contributions must be paid within 5 years of your leaving the scheme (or age 75 if earlier). At that point a refund of contributions is automatically paid to you.

No refund can be made if you rejoin the scheme in England or Wales within a month and a day of leaving, or rejoin before the refund has been paid, or continue to hold another job in which you are a member of the scheme and which you held at the same time as the job you have left.

### What will happen to my benefits if I've met the 2 year vesting period?

If you've met the 2 year **vesting period** the amount held in your active **pension account** up to your date of leaving is transferred to a deferred **pension account** and you then have what are known as deferred benefits. The value of the pension in your deferred **pension account** is held in the LGPS for you until either you decide to transfer the value to another pension scheme, or the deferred benefits are due to be paid.

Your personal deferred benefits 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?

Your deferred benefits will be calculated as follows:

- Your deferred **pension** in respect of your membership of the scheme **after 31 March 2014** is the value of the pension you have built up in your active **pension account** at the point of leaving. That amount of pension is transferred from your active **pension account** to your deferred **pension account**.

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>8</sup>.

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<sup>8</sup> Limited to £257,500 (2018/19 figure), or you have previously taken payment of pension (crystallised) pension benefits, 25% of your remaining lifetime allowance.

## Leaving Your Job Before Retirement

- The part of your deferred **pension** in respect of any membership of the scheme you have **between 1 April 2008 and 31 March 2014** is calculated by dividing any period of membership you have falling between those dates by 60 and multiplying the resulting figure by your **final pay** on leaving.

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>9</sup>.

- The part of your deferred **pension** in respect of any membership of the scheme you have **before 1 April 2008** is calculated by dividing any period of membership you have falling before that date by 80 and multiplying the resulting figure by your **final pay** on leaving.

In addition you will be entitled to an **automatic tax-free lump sum** of three times your pension for membership before 1 April 2008. You can also exchange part of the pre April 2008 pension for extra lump sum as described above.

For more information and examples of how benefits built up before April 2014 are worked out see the [If you Joined the LGPS Before 1 April 2014](#) section.

### 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 Pension Contributions (APCs)

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 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.

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<sup>9</sup> Limited to £257,500 (2018/19 figure), or you have previously taken payment of pension (crystallised) pension benefits, 25% of your remaining lifetime allowance.

## Leaving Your Job Before Retirement

### **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 3 months of rejoining to arrange this.

### **If you pay *Additional Voluntary Contributions (AVCs)* arranged through the LGPS (in-house 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 in that it can be:

- transferred to another pension arrangement, including to a scheme that offers flexible benefits, or
- drawn at the same time as your LGPS benefits.

See the section on [contribution flexibility](#) for more information about transferring your AVC to a scheme that provides flexible benefits.

If you elected to pay AVCs on or after 1 April 2014 and you choose to transfer your main LGPS benefits to another LGPS fund in England and Wales your AVC must be transferred too.

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

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 an ***eligible cohabiting partner*** on your death.

### **My LGPS benefits are subject to a Pension Sharing Order. How does this affect my deferred benefits?**

**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 deferred 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](#).

## Leaving Your Job Before Retirement

### When are deferred benefits paid?

Your deferred benefits are normally payable at your **Normal Pension Age** in the LGPS. Your **Normal Pension Age** is linked to your **State Pension Age** (but with a minimum of age 65). They can be paid earlier, or later than your **Normal Pension Age**. There are two ways they can be paid earlier and these are:

- early payment of deferred benefits at your request, or
- early payment of deferred benefits due to permanent ill-health.

### Early payment of deferred benefits at your request

You can choose to take early payment of your deferred benefits from age 55. You do not need your former employer's consent to draw your pension before your **Normal Pension Age**.

If you choose to draw your deferred benefits before your **Normal Pension Age** your benefits will normally 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 Secretary of State from time to time. The reduction is based on the length of time (in years and days) that you retire early i.e. the period between the date your benefits are paid and your **Normal Pension Age**.

As a guide, the percentage reductions (effective from 29 April 2016) for retirements up to 13 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	Pensions reduction Women
0	0.0%	0.0%
1	5.6%	5.2%
2	10.8%	10.1%
3	15.5%	14.6%
4	20.0%	18.8%
5	24.0%	22.7%
6	27.8%	26.4%
7	31.4%	29.8%
8	34.7%	33.0%
9	37.7%	36.1%
10	40.6%	38.9%
11	44.2%	42.2%
12	47.6%	45.5%
13	50.9%	48.6%

## Leaving Your Job Before Retirement

Please note that if you built up pension in the LGPS before 1 April 2014 then protections are in place for the **Normal Pension Age** that applies to those benefits. In addition, if you were a member of the LGPS at any time between 1 April 1998 and 30 September 2006, some or all of your benefits paid early could be protected from the reduction if you are a rule of 85 protected member. You can find out more about these protections from the section [If You Joined the LGPS Before 1 April 2014](#).

Your former employer can agree to waive any reduction. This is a **discretion** and you can ask your employer 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 undertaking any gainful employment within 3 years of applying for the benefit or by your **Normal Pension Age**, whichever is the earlier.

### Payment of deferred benefits at or after **Normal Pension Age**

If you do not take early payment of deferred benefits under either of the above two methods the deferred benefits will be paid from your **Normal Pension Age** unless you opt to delay payment beyond that age. If you draw your deferred benefits after your **Normal Pension Age** your pension will be increased by 0.010% for each day payment of your pension is delayed beyond **your Normal Pension Age**. Deferred benefits must be paid before age 75. However, if your pension is not in payment at age 60 (women) / 65 (men), the **Guaranteed Minimum Pension (GMP)** element (if any) of your pension must be paid from that date (unless you are still in some employment at that time and consent to postponement of payment of your **GMP**).

### Keeping in touch

If you change address, please remember to let the Cheshire Pension 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 and because of which you left 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?

In the year you leave the LGPS the value of pension in your **pension account** (in respect of your membership from 1 April 2014 onwards ONLY) is revalued up to the date of leaving in line with the revaluation applied to active members of the LGPS.

This means that if the cost of living has gone down in the year ending 30<sup>th</sup> September in the **scheme year** in which you leave, it is possible that the value of deferred pension in your **pension account** could reduce.

For the period after your date of leaving your total deferred benefits (including the benefits you built up before 1 April 2014) will be increased in line with the cost of living. However, if the cost of living goes down your deferred benefits will not be reduced. Your pension will also continue to receive cost of living increases every year once it is paid to you.

On your benefits being 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 cost of living. Otherwise, if you draw your benefits before age 55 you will normally have to wait until your 55th birthday for your first cost of living increase, when your pension will be increased to the level it would have been had it been increased each year.

### 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**, **eligible cohabiting partner's** or dependant's pension you may be entitled to.

You can find out about HM Revenue and Customs controls on your pension savings from the section on [Tax Controls and Your LGPS Benefits](#).

The Cheshire Pension 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.

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

If you leave with deferred benefits after 31 March 2014 and die before receiving them, the following benefits are payable:

**A lump sum death grant** of 5 times your deferred annual pension. Cheshire West and Chester Council 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 an expression of wish form. You can complete an expression of wish form or make a new one at any time. The form, if not included with this booklet, is available from the Cheshire Pension Fund.

If any part of the death grant has not been paid within two years it must be paid to your personal representatives i.e. to your Estate. Your personal representatives will need to inform HM Revenue and Customs if, together with the lump sum death grant, the value



## Leaving Your Job Before Retirement

of all your pension benefits - but not including any spouse's, **civil partner's**, **eligible cohabiting partner's** or dependant's pension you may be entitled to – 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](#).

If you left with deferred benefits **before** 1 April 2014 and die before receiving them and you are also an active member when you die the greater of the following will be paid:

- **A lump sum death grant** of 5 times (or, if you left before 1 April 2008, 3 times) your deferred annual pension, **or**
- **A death in service lump sum** of three times your **assumed pensionable pay**

If you leave with deferred benefits **after** 31 March 2014 and die before receiving them and you are also an active member when you die, the greater of the following benefits are payable:

- **A lump sum death grant** of 5 times your deferred annual pension, **or**
- **A death in service lump sum** of three times your **assumed pensionable pay**

If you leave with deferred benefits **after** 31 March 2014 and also have deferred benefits from an earlier period of membership which ended **before** 1 April 2014 and die before receiving them the following benefits are payable:

- **A lump sum death grant** of 5 times the deferred benefits awarded **after** 31 March 2014, plus 5 times the deferred annual pension for deferred benefits awarded **between** 1 April 2008 and 31 March 2014, plus 3 times the deferred annual pension for deferred benefits awarded **before** 1 April 2008.

If you paid **Additional Voluntary Contributions (AVCs)** arranged through the LGPS (in-house AVCs), the value of your AVC fund is also payable.

**A survivor's pension.** A pension will be paid to your spouse, registered **civil partner** or, subject to certain qualifying conditions, your **eligible 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.

- **For your spouse (from an opposite sex or same sex marriage) :**

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The pension payable to your spouse is calculated on a different proportion i.e.  $1/160^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/160^{\text{th}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

## Leaving Your Job Before Retirement

For final salary membership built up **before** 1 April 2014, the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 upon which your deferred pension is based, 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
- your wife's pension is based on your membership after 5 April 1978
- the survivor's pension of a same sex marriage is based on your membership after 5 April 1988.

- **For your *civil partner*.**

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The pension payable to your **civil partner** is calculated on a different proportion i.e.  $1/160^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/160^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

For final salary membership built up **before** 1 April 2014, the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 (including any additional membership purchased by you) upon which your deferred pension is based unless you enter into a **civil partnership** after leaving in which case your **civil partner's** pension would be based on your membership after 5 April 1988 (or on all of your membership if you became a deferred member before 1 April 2014 and had made an election before 1 April 2015 for pre 6 April 1988 membership to also count).

- **For your *eligible cohabiting partner*.**

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The pension payable to your **eligible cohabiting partner** is calculated on a different proportion i.e.  $1/160^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/160^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

For final salary membership built up **before** 1 April 2014, the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme after 5 April 1988 and up to 31 March 2014 (including any additional membership purchased by you), upon which your deferred pension is based, **plus** any of your membership before 6 April 1988 for which, under an election made prior to 1 April 2014, you have paid additional contributions so that it counts towards an **eligible cohabiting partner's** pension.

## Leaving Your Job Before Retirement

If your deferred pension is subject to a Pension Sharing Order issued by the Court following an earlier divorce or dissolution of a **civil partnership**, or is subject to a qualifying agreement in Scotland, your spouse's, **civil partner's** or **eligible cohabiting partner's** pension will be reduced in consequence of that Court Order or agreement. For more information see the section on [Pensions and Divorce or Dissolution of a Civil Partnership](#).

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.

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

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

- **If a survivor's pension is being paid to your spouse (from an opposite sex or same sex marriage), civil partner or eligible cohabiting partner,**

**One child** would receive a pension calculated as follows:

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The child's pension payable is calculated on a different proportion i.e.  $1/320^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/320^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

For final salary membership built up **before** 1 April 2014, the pension payable is equal to  $1/320^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 upon which your deferred pension is based.

**Two or more children** would receive a pension calculated as follows:

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The children's pension payable is calculated on a different proportion i.e.  $1/160^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/160^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement. The pension would be shared equally between the **eligible children**.

## Leaving Your Job Before Retirement

For final salary membership built up **before** 1 April 2014, the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 upon which your deferred pension is based. The pension would be shared equally between the **eligible children**.

- **If there is no spouse's, civil partner's or eligible cohabiting partner's pension being paid,**

**One child** would receive a pension calculated as follows:

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The child's pension payable is calculated on a different proportion i.e.  $1/240^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/240^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

For final salary membership built up **before** 1 April 2014, the pension payable is equal to  $1/240^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 upon which your deferred pension is based.

**Two or more children** would receive a pension calculated as follows:

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The childrens' pension payable is calculated on a different proportion i.e.  $1/120^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/120^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement. The pension would be shared equally between the **eligible children**.

For final salary membership built up **before** 1 April 2014, the pension payable is equal to  $1/120^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 upon which your deferred pension is based. The pension would be shared equally between the **eligible children**.

**If you were a member of the LGPS before 1 April 2014 and you paid additional regular contributions (ARCs) 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 spouse, registered *civil partner* or *eligible cohabiting partner* and to *eligible children*.**

## Leaving Your Job Before Retirement

### Who is the lump sum death grant paid to?

Cheshire West and Chester Council 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 an expression of wish form. If any part of the death grant has not been paid within two years, it must be paid to your personal representatives, i.e. to your Estate. If you have not already made your wishes known, or you wish to update / change a previous expression of wish, a form is available from Cheshire Pension Fund. Remember to complete a new form if your wishes change.

If you have paid AVCs and a lump sum is to be paid from the your AVC fund, Cheshire West and Chester Council has absolute **discretion** over who to pay that sum to, provided you were an active member of the LGPS on or after 1 April 2014. If you left the LGPS before 1 April 2014, Cheshire West and Chester Council must pay any AVC lump sum to your estate.

### 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 (other than AVCs) if you leave less than one year before your **Normal Pension Age**. An option to transfer (other than in respect of AVCs) must be made at least 12 months before your **Normal Pension Age**.

You can only transfer benefits from the LGPS if you have not already drawn benefits from the LGPS (either in your current employment or any earlier employment). Also, if you hold more than one deferred benefit in the LGPS in England and Wales (either in the same or separate LGPS pension funds), you will be required to transfer all or none of the benefits you hold. It is not possible to transfer one deferred benefit whilst retaining another deferred benefit in the LGPS.

Your new pension provider will require a transfer value quotation which, under the provisions introduced by the Pensions Act 1995, the Cheshire Pension Fund will (other than in respect of AVCs) guarantee for a period of three months from the date of calculation (known as the 'Guarantee Date'). Your new pension provider can then advise you of the additional benefits the transfer will buy in their scheme. A written option to proceed with the guaranteed transfer value must be received within the three month guaranteed period. If you opt to proceed, the normal time limit for payment of the guaranteed transfer value will be six months from the 'Guarantee Date'. If payment is not made within this period the Cheshire Pension 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 Regulations 2013 which comply with the requirements of the Pensions Schemes Act 1993.



## Leaving Your Job Before Retirement

If you are considering whether to transfer benefits, make sure you have full information about the two pension arrangements i.e. 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, under what are known as **Club transfer rules**, provided you apply for the transfer within 12 months of joining your new pension scheme and have not had a break in membership of more than 5 years between leaving the LGPS and joining the new **public service pension scheme**. However, transferring your pension rights is not always an easy decision to make and you may, therefore, 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 to 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 you are transferring from the LGPS to a defined contribution scheme** you must take appropriate independent financial advice before transferring. This is a legal requirement if the cash equivalent transfer value of all your benefits in the LGPS (excluding any Additional Voluntary Contributions (AVCs)) is more than £30,000. If the cash equivalent transfer value of all your benefits in the LGPS (excluding any Additional Voluntary Contributions (AVCs)) is £30,000 or less you are not legally required to take advice. However, transferring your pension rights is not always an easy decision to make and seeking 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) could help you in making an appropriate decision given your decision could significantly affect your future pension benefits.

If the cash equivalent transfer value of all your benefits in the LGPS (excluding any Additional Voluntary Contributions (AVCs)) is more than £30,000, the Cheshire Pension Fund will check that you have received appropriate independent financial advice before your transfer can proceed and relevant documentation to evidence this will be required. The Cheshire Pension Fund will provide you with more details if you request a transfer quotation.

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.

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**, **eligible cohabiting partner** or **eligible children**.

## Leaving Your Job Before Retirement

### 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 re-join the LGPS before your deferred benefits are paid, your deferred benefits are normally automatically joined with your new active **pension account** when you rejoin the scheme, unless you elect to keep them separate.

If you wish to keep your deferred benefits separate you must elect to do so within 12 months of re-joining the LGPS, unless your employer allows you longer. This is an employer **discretion** and you can ask your employer what their policy is on this matter.

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

Please note that special rules apply if you were a member of the LGPS in England or Wales on or before 31 March 2014 – see the section [Transferring Pension Rights into the LGPS](#) for more information.

Please also note that if you became entitled to your deferred benefit as a result of making an election to opt out of membership of the scheme you will not be permitted to join your two periods of membership together and, instead, you will have two separate sets of pension benefits in the scheme.

### What if I have two or more LGPS jobs?

If you have two or more jobs in which you pay into the LGPS at the same time and you leave one (or more) but not all of them, and you are entitled to deferred benefits from the job (or jobs) you have left, your deferred benefits from the job that has ended are automatically transferred to the active **pension account** for the job you are continuing in, unless you elect to keep them separate. If you wish to keep your deferred benefits separate you must elect to do so within 12 months of re-joining the LGPS, unless your employer allows you longer. This is an employer **discretion** and you can ask your employer what their policy is on this matter.

If you are not entitled to deferred benefits from the job (or jobs) you have left, you cannot have a refund of your contributions and you must transfer your benefits to the **pension account** for the job you are continuing in.

Please note that special rules apply if you were a member of the LGPS in England or Wales on or before 31 March 2014 – see the section [Transferring Pension Rights into the LGPS](#) for more information.

Additionally, if you have membership built up before 1 April 2014 which you aggregate with the membership in the job you are continuing in, then this membership is adjusted to reflect any difference in the whole-time rates of pay between the jobs as follows:

Membership in the job you have left x  $\frac{\text{whole-time rate of pay in the job that has ceased}}{\text{whole-time rate of pay in the job that is continuing}}$



## 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 you with continued access to the LGPS or to offer you a pension scheme that is broadly equivalent to the LGPS. The contractor may become an **admission body** in the LGPS and this would allow you to stay in the LGPS so long as you continue working on the delivery of the **contracted out** service. If the contractor becomes an **admission body** your LGPS benefits prior to the transfer of your job to the contractor can be joined with your post transfer pension account, see the section **Transferring Pension Rights into the LGPS**. Alternatively, the contractor may be able to offer you a broadly comparable scheme. 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. If you are offered a broadly comparable scheme you would have the same options available to you regarding your accrued LGPS benefits as anyone else leaving the LGPS before retirement.

### More information

For more information or if you have a problem or question about your LGPS benefits, please contact the Cheshire Pension Fund. **Contact details can be found at the front of this booklet.**

The national web site for members of the LGPS who contribute to the scheme on or after 1 April 2014 can be found at [www.lgpsmember.org](http://www.lgpsmember.org).

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**.

## Life Cover - Protection For Your Family

The LGPS provides valuable life cover and financial protection for your family.

In this section we look at how these benefits work if you pay into the LGPS on or after 1 April 2014.

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the back of this booklet.

### What lump sum benefits will be paid if I die in service?

If you die in service as a member of the LGPS a lump sum death grant of three times your ***assumed pensionable pay*** at your date of death 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.

If you have a deferred benefit and / or a pension in payment from a previous period of membership of the scheme the lump sum death grant will be any lump sum death grant payable in respect of those benefits or the death in service lump sum death grant of three times your ***assumed pensionable pay***, whichever is the greater.

Where an independent registered medical practitioner certifies that, during the period used to determine ***assumed pensionable pay***, you were working reduced contractual hours because of the ill-health which led to death in service, the ***assumed pensionable pay*** is calculated on the pay you would have received during that period had you not been working reduced contractual hours.

If you pay ***Additional Voluntary Contributions (AVCs)*** arranged through the LGPS (in-house AVCs), the value of your AVC fund is also payable, as is any extra life cover.

### What survivor benefits will be paid if I die in service?

An ongoing pension is provided for your spouse, ***registered civil partner*** or, subject to certain qualifying conditions, your ***eligible cohabiting partner*** and to your ***eligible children*** as shown below.

#### A survivor's pension

An ongoing pension is provided for your spouse, registered ***civil partner*** or, subject to certain qualifying conditions, your ***eligible 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.

- **For your spouse (from an opposite sex or same sex marriage) or *civil partner*:**

For each year of membership you built up **from** 1 April 2014 to your date of death you would have been credited with a pension equal to a proportion (i.e. 1/49<sup>th</sup> or, for any period you were in the 50/50 section of the scheme, 1/98<sup>th</sup>) of the ***pensionable pay*** (or ***assumed pensionable pay*** where applicable) you received during that year. The pension payable to your spouse or ***civil partner*** is calculated on a different proportion i.e. 1/160<sup>th</sup> of your ***pensionable pay*** (or ***assumed pensionable pay*** where applicable) to which is added 49/160<sup>ths</sup> of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to 1/160<sup>th</sup> of your

## Life Cover - Protection For Your Family

**assumed pensionable pay** for each year of membership you would have built up from your date of death to your **Normal Pension Age**.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014.

- **For your eligible cohabiting partner:**

For each year of membership you built up **from** 1 April 2014 to your date of death you would have been credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The pension payable to your **eligible cohabiting partner** is calculated on a different proportion i.e.  $1/160^{\text{th}}$  of your **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/160^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to  $1/160^{\text{th}}$  of your **assumed pensionable pay** each year of membership you would have built up from your date of death to your **Normal Pension Age**.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme after 5 April 1988 up to 31 March 2014, **plus** any of your membership before 6 April 1988 for which, under an election made prior to 1 April 2014, you have paid additional contributions so that it counts towards an **eligible cohabiting partner's** pension.

For a cohabiting partner to be entitled to receive a survivor's pension your relationship has to meet certain conditions laid down by the LGPS. You can find information on these conditions later in this section.

Where an independent registered medical practitioner certifies that, during the period used to determine **assumed pensionable pay**, you were working reduced contractual hours because of the ill-health which led to death in service, the **assumed pensionable pay** is calculated on the pay you would have received during that period had you not been working reduced contractual hours.

If your pension is subject to a Pension Sharing Order issued by the Court following an earlier divorce or dissolution of a **civil partnership**, or is subject to a qualifying agreement in Scotland, your spouse's, **civil partner's** or **eligible cohabiting partner's** pension will be reduced in consequence of that Court Order or agreement. For more information see the section on [Pensions and Divorce or Dissolution of a Civil Partnership](#).

## Life Cover - Protection For Your Family

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

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

- **If a survivor's pension is being paid to your spouse, civil partner or eligible cohabiting partner,**

**One child** would receive a pension calculated as follows:

For each year of membership you built up **from** 1 April 2014 to your date of death you would have been credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The child's pension payable is calculated on a different proportion i.e.  $1/320^{\text{th}}$  of your **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/320^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to  $1/320^{\text{th}}$  of your **assumed pensionable pay** for each year of membership you would have built up from your date of death to your **Normal Pension Age**.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/320^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014.

**Two or more children** would receive a pension calculated as follows:

For each year of membership you built up **from** 1 April 2014 to your date of death you would have been credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The children's pension payable is calculated on a different proportion i.e.  $1/160^{\text{th}}$  of your **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/160^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to  $1/160^{\text{th}}$  of your **assumed pensionable pay** for each year of membership you would have built up from your date of death to your **Normal Pension Age**. The pension would be shared equally between the **eligible children**.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014. The pension would be shared equally between the **eligible children**.

- **If there is no spouse's, civil partner's or eligible cohabiting partner's pension being paid,**

**One child** would receive a pension calculated as follows:

## Life Cover - Protection For Your Family

For each year of membership you built up **from** 1 April 2014 to your date of death you would have been credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The child's pension payable is calculated on a different proportion i.e.  $1/240^{\text{th}}$  of your **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/240^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to  $1/240^{\text{th}}$  of your **assumed pensionable pay** for each year of membership you would have built up from your date of death to your **Normal Pension Age**.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/240^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014.

**Two or more children** would receive a pension calculated as follows:

For each year of membership you built up **from** 1 April 2014 to your date of death you would have been credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year. The childrens' pension payable is calculated on a different proportion i.e.  $1/120^{\text{th}}$  of your **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/120^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to  $1/120^{\text{th}}$  of your **assumed pensionable pay** for each year of membership you would have built up from your date of death to your **Normal Pension Age**. The pension would be shared equally between the **eligible children**.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/120^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014. The pension would be shared equally between the **eligible children**.

Where an independent registered medical practitioner certifies that, during the period used to determine **assumed pensionable pay**, you were working reduced contractual hours because of the ill-health which led to death in service, the **assumed pensionable pay** is calculated on the pay you would have received during that period had you not been working reduced contractual hours.

If you are in the 50/50 section of the scheme when you die this does not impact on the value of any pension for your **spouse, civil partner, eligible cohabiting partner** or **eligible children**.

**If you die in service and:**

- **you are paying, or have paid, additional contributions to buy extra LGPS pension by paying Additional Pension Contributions (APCs) (or Shared Cost Additional Pension Contributions (SCAPCs) these will not count towards the**

## Life Cover - Protection For Your Family

value of any survivor's pension or children's pensions as they only count towards your pension.

- **you elected before 1 April 2014 to pay Additional Regular Contributions (ARCs)** then, provided you opted to pay for dependant's benefits when you took out your original contract, extra benefits will be payable to your spouse, ***civil partner*** or ***eligible cohabiting partner*** and to ***eligible children***. If you were still paying the ARCs at the date of death you will be deemed to have completed all payments. If you did not opt to pay for dependant's benefits when you took out your original ARC contract, then no extra benefits will be payable.
- **you elected before 1 April 2008 to buy LGPS added years of membership** 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 for your spouse, ***civil partner*** or ***eligible cohabiting partner*** and to ***eligible children***.
- **you elected before 1 April 2014 to buy extra 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 an ***eligible cohabiting partner***, even if you have not completed full payment for it.
- **if you paying Additional Voluntary Contributions (AVCs)** arranged through the LGPS (in-house AVCs) the value of your AVC fund is payable as is the value of any extra life cover pension for your spouse, ***civil partner*** or ***eligible cohabiting partner*** and ***eligible children*** 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 spouse, ***civil partner***, ***eligible cohabiting partner***, next-of-kin or person dealing with your Estate must immediately inform the Cheshire Pension Fund of your date of death as otherwise an overpayment could occur. **Contact details can be found at front of this booklet.**

The following benefits may then be payable on your death:

#### **A lump sum death grant**

A lump sum death grant will be paid if you die and less than 10 years pension has been paid and you are under age 75 at the date of death. The amount payable would be:

- 10 times the level of your annual pension in respect of your membership of the scheme after 31 March 2014 (prior to giving up any pension for a tax free cash lump sum), less any pension already paid to you in respect of your post 31 March 2014 membership and the amount of any tax-free cash lump sum you chose to take by giving up some of the pension you built up after 31 March 2014 when you drew your pension at retirement.



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- 10 times the level of your annual pension in respect of your membership of the scheme before 1 April 2014 (after giving up any pension for a tax free cash lump sum), less any pension already paid to you in respect of your pre 1 April 2014 membership.

However, if you are drawing a pension and are also an active member of the pension scheme and die in service, a death in service lump sum death grant of:

- the amount as calculated above, or, if higher,
  - three times your **assumed pensionable pay**.
- will be payable.

### A survivor's pension

A pension will be paid to your spouse, registered **civil partner** or, subject to certain qualifying conditions, your **eligible 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.

- **For your spouse (from an opposite sex or same sex marriage):**

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year (plus  $1/49^{\text{th}}$  of **assumed pensionable pay** for any enhancement given if retirement had been on ill health grounds). The pension payable to your spouse is calculated on a different proportion i.e.  $1/160^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/160^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 upon which your pension is based, unless you marry after retiring 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 your wife's pension is based on your membership after 5 April 1978
- the survivor's pension of a same sex marriage is based on your membership after 5 April 1988.

- **For your civil partner:**

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year (plus  $1/49^{\text{th}}$  of **assumed pensionable pay** for any enhancement given if retirement had been on ill health grounds). The pension payable to your **civil partner** is calculated on a different proportion i.e.  $1/160^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where



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applicable) to which is added  $49/160^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 (including any additional membership purchased by you) upon which your pension is based unless you enter into a **civil partnership** after leaving in which case your **civil partner's** pension would be based on your membership after 5 April 1988 (or on all of your membership if you became a pensioner before 1 April 2014 and makes an election before 1 April 2015 for pre 6 April 1988 membership to also count).

- **For your eligible cohabiting partner:**

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year (plus  $1/49^{\text{th}}$  of **assumed pensionable pay** for any enhancement given if retirement had been on ill health grounds). The pension payable to your **eligible cohabiting partner** is calculated on a different proportion i.e.  $1/160^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/160^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

For final salary membership built up **before** 1 April 2014, the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme after 5 April 1988 and up to 31 March 2014 (including any additional membership purchased by you), upon which your pension is based, **plus** any of your membership before 6 April 1988 for which, under an election made prior to 1 April 2014, you have paid additional contributions so that it counts towards an **eligible cohabiting partner's** pension.

If your pension is subject to a Pension Sharing Order issued by the Court following an earlier divorce or dissolution of a **civil partnership**, or is subject to a qualifying agreement in Scotland, your spouse's, **civil partner's** or **eligible cohabiting partner's** pension will be reduced in consequence of that Court Order or agreement. For more information see the section on [Pensions and Divorce or Dissolution of a Civil Partnership](#).

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

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

- **If a survivor's pension is being paid to your spouse, civil partner or eligible cohabiting partner,**

**One child** would receive a pension calculated as follows:

## Life Cover - Protection For Your Family

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year (plus  $1/49^{\text{th}}$  of **assumed pensionable pay** for any enhancement given if retirement had been on ill health grounds). The child's pension payable is calculated on a different proportion i.e.  $1/320^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/320^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/320^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 upon which your pension is based.

**Two or more children** would receive a pension calculated as follows:

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year (plus  $1/49^{\text{th}}$  of **assumed pensionable pay** for any enhancement given if retirement had been on ill health grounds). The childrens' pension payable is calculated on a different proportion i.e.  $1/160^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/160^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement. The pension would be shared equally between the **eligible children**.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/160^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 upon which your pension is based. The pension would be shared equally between the **eligible children**.

- **If there is no spouse's, civil partner's or eligible cohabiting partner's pension being paid,**

**One child** would receive a pension calculated as follows:

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year (plus  $1/49^{\text{th}}$  of **assumed pensionable pay** for any enhancement given if retirement had been on ill health grounds). The child's pension payable is calculated on a different proportion i.e.  $1/240^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/240^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

## Life Cover - Protection For Your Family

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/240^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 upon which your pension is based.

**Two or more children** would receive a pension calculated as follows:

For each year of membership you built up **from** 1 April 2014 you were credited with a pension equal to a proportion (i.e.  $1/49^{\text{th}}$  or, for any period you were in the 50/50 section of the scheme,  $1/98^{\text{th}}$ ) of the **pensionable pay** (or **assumed pensionable pay** where applicable) you received during that year (plus  $1/49^{\text{th}}$  of **assumed pensionable pay** for any enhancement given if retirement had been on ill health grounds). The childrens' pension payable is calculated on a different proportion i.e.  $1/120^{\text{th}}$  of the **pensionable pay** (or **assumed pensionable pay** where applicable) to which is added  $49/120^{\text{ths}}$  of the amount of any pension credited to your **pension account** following a transfer of pension rights into the scheme from another pension scheme or arrangement. The pension would be shared equally between the **eligible children**.

For final salary membership built up **before** 1 April 2014 the pension payable is equal to  $1/120^{\text{th}}$  of your **final pay** times the period of your membership in the scheme up to 31 March 2014 upon which your pension is based. The pension would be shared equally between the **eligible children**.

**If you paid additional contributions to buy extra benefits** see the section on [Contribution Flexibility](#) to find information on any extra survivor benefits that may be payable.

### Who is the lump sum death grant paid to?

Cheshire West and Chester Council 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 an expression of wish form. If any part of the death grant has not been paid within two years, it must be paid to your personal representatives, i.e. to your Estate. If you have not already made your wishes known, or you wish to update / change a previous expression of wish, a form is available from the Cheshire Pension Fund website. Remember to complete a new form if your wishes change.

If you have paid AVCs and a lump sum is to be paid from the your AVC fund, Cheshire West and Chester Council has absolute **discretion** over who to pay that sum to, provided you were an active member of the LGPS on or after 1 April 2014. If you left before 1 April 2014, Cheshire West and Chester Council must pay any AVC lump sum to your estate.

### What conditions need to be met for an eligible cohabiting partner's survivor's pension to be payable?

If you have a cohabiting partner, of either opposite or same sex, they will be entitled to receive a survivor's pension on your death if they meet the criteria to be considered to

## Life Cover - Protection For Your Family

be an **eligible cohabiting partner**. See the terms at the end of the guide for more details.

### And ...

- If your LGPS benefits are subject to a Pension Sharing Order issued by the Court following divorce or dissolution of a **civil partnership**, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or agreement. In consequence, if you remarry, enter into a new **civil partnership** or have an **eligible cohabiting partner**, any spouse's pension, **civil partner's pension** or **eligible 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 Sharing Order or a qualifying agreement in Scotland.
- 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**, **eligible cohabiting partner's** or dependant's pensions you may have been entitled to - 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**.

### More information

For more information or if you have a problem or question about your LGPS benefits, please contact the Cheshire Pension Fund. **Contact details can be found at the front of this booklet.**

The national web site for members of the LGPS can be found at [www.lgpsmember.org](http://www.lgpsmember.org).

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**.

## 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.**

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the back of this booklet.

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*** and you and your partner will need to consider how to treat your pension rights as part of any divorce/dissolution settlement.

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

- Your ex-spouse or ex-civil partner will cease to be entitled to a spouse'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-spouse or ex-civil partner to receive any lump sum death grant payable on your death by completing and returning an expression of wish form, this will remain in place unless you change it. If your wishes change contact the Cheshire Pension 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.

### **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 Cheshire Pension 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 Cheshire Pension Fund.

All correspondence received by the Cheshire Pension Fund in connection with divorce or dissolution proceedings will be acknowledged in writing. If no acknowledgement is received, you should contact the Cheshire Pension 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.



## Pensions and Divorce or Dissolution of a Civil Partnership

### 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 their **Normal Pension Age**, or can be drawn on or after age 55 with a reduction for early payment, or can be transferred to another qualifying pension scheme. Your ex-spouse or ex-civil partner must draw their benefits before their 75<sup>th</sup> birthday.

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 cost of living 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 and will be adjusted if your benefits are paid before or after your **Normal Pension Age**.

You may be able to top up your benefits by buying extra scheme pension, through Additional Pension Contributions (APCs), paying **Additional Voluntary Contributions (AVCs)** or Free Standing 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 [Contribution Flexibility](#).

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 when you draw them 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 2018/19 is £1,030,000. 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. Also, in assessing the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge (the Annual Allowance), the reduction in your benefits due to the Pension Debit is ignored in the **scheme year** that the Pension Sharing Order or qualifying agreement is applied to your benefits.

## Pensions and Divorce or Dissolution of a Civil Partnership

You can find out more about these matters in the section [Tax Controls and Your LGPS Benefits](#).

### 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>10</sup> payable to you, and
- all or part of any lump sum payable on your death.

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

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

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

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

If your LGPS benefits are subject to a Pension Sharing Order and you remarry, enter into a new **civil partnership** or into a cohabiting partnership, any spouse's pension, **civil partner's pension** or **eligible 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**.

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<sup>10</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

### More information

For more information or if you have a problem or question about your LGPS benefits, please contact the Cheshire Pension Fund. **Contact details can be found at the front of this booklet.**

The national web site for members of the LGPS can be found at [www.lgpsmember.org](http://www.lgpsmember.org)

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.**

## Tax Controls and Your LGPS Benefits

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

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the back of this booklet.

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 your pension once it is in payment.

You can, if you wish, pay up to 100% of your UK taxable earnings in any tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a “tax relief at source” arrangement, such as a personal pension or stakeholder pension scheme) and be eligible for tax relief on the contributions.

There are two main allowances for pension savings – an annual allowance and a lifetime allowance. There are also protections for benefits earned up to 5 April 2006 if you are a high earner affected by the introduction of the lifetime allowance from 6 April 2006. Most people will be able to save as much as they wish as their pension savings will be 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 £6,822 on the extra LGPS pension you can buy by payment of Additional Pension Contributions (APCs). 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 in a tax year (or, if greater, £3,600 to a “tax relief at source” arrangement, such as a personal pension or stakeholder pension scheme).

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

There are two controls – the annual allowance and the lifetime allowance.

#### **Annual allowance - Standard rules**

This is the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge.

The increase in the value of your pension savings in the LGPS in a year is calculated by working out the value of your benefits immediately before the start of the ‘pension input period’, increasing the value by inflation and then comparing it with the value of your benefits at the end of the ‘pension input period’.

The ‘pension input period’ (PIP) is the period over which your pension growth is measured. From 6 April 2016, PIPs for all pension schemes will be aligned with the tax year – 6 April to 5 April. Prior to the 2016/17 the PIP for the LGPS was 1 April to 31 March, except for the year 2015/16 when special transitional rules applied.

## Tax Controls and Your LGPS Benefits

The annual allowance in recent years has been as follows :

Pension Input Period	Annual Allowance
1 April 2011 to 31 March 2012	£50,000
1 April 2012 to 31 March 2013	£50,000
1 April 2013 to 31 March 2014	£50,000
1 April 2014 to 31 March 2015	£40,000
1 April 2015 to 5 April 2016	£80,000 (transitional rules apply)
6 April 2016 to 5 April 2017	£40,000 (unless tapering applies)
6 April 2017 to 5 April 2018 onwards	£40,000 (unless tapering applies)

From 6 April 2016 the PIP is aligned with the tax year. To facilitate this change special transitional arrangements applied for 2015/16 meaning that there were two PIPs in 2015/16 as below:

**Pre-alignment tax year:** 1 April 2015 to 8 July 2015 - the revised annual allowance during this period is £80,000

**Post-alignment tax year:** 9 July 2015 to 5 April 2016 – the annual allowance for this period is the amount of the £80,000 not used up from the pre-alignment tax year (subject to a maximum of £40,000) together with any carry forward available from the three previous years.

Generally speaking, the assessment covers any pension benefits you may have in all tax-registered pension arrangements where you have been an active member of the scheme during the year i.e. you have paid contributions during the tax year (or your employer has paid contributions on your behalf).

### Carry forward

You would only be subject to an annual allowance tax charge if the value of your pension savings for a year increase by more than the annual allowance for that year. However, a three year carry forward rule allows you to carry forward unused annual allowance from the previous three years. This means that even if the value of your pension savings increase by more than £40,000 in a year you may not be liable to the annual allowance tax charge. For example, if the value of your pension savings in 2014/15 increased by £50,000 (i.e. by £10,000 more than the annual allowance) but in the three previous years had increased by £25,000, £28,000 and £30,000, then the amount by which each of these previous years fell short of the annual allowance for those three years would more than offset the £10,000 excess pension saving in the current year. There would be no annual allowance tax charge to pay in this case. To carry forward unused annual allowance from an earlier year you must have been a member of a tax registered pension scheme in that year.

Most people will not be affected by the annual allowance tax charge because the value of their pension saving will not increase in a year by more than the annual allowance or, if it does, they are likely to have unused allowance from previous years that can be carried forward.

## Tax Controls and Your LGPS Benefits

If, however, you are affected you will be liable to a tax charge (at your marginal rate) on the amount by which the value of your pension savings for the tax year, less any unused allowance from the previous three years, exceeds the annual allowance.

Working out whether you are affected by the annual allowance is quite complex, but this should help you work out your general position.

**In general terms**, subject to special rules outlined below regarding "flexible access" benefits and the "tapered" annual allowance for higher earners, the increase in the value of your pension savings in the LGPS in a year is calculated by working out the value of your benefits immediately before the start of the input period, increasing them by inflation, and comparing them with the value of your benefits at the end of the input period. In a defined benefit scheme like the LGPS the value of your benefits is calculated by multiplying the amount of your pension by 16 and adding any lump sum you are automatically entitled to from the pension scheme. If the difference between:

- a) the value of your benefits immediately before the start of the input period (the opening value) and
- b) the value of your benefits at the end of the input period (the closing value) plus any contributions you have paid into the scheme's **Additional Voluntary Contribution (AVC)** arrangement in the year or that you and your employer have paid into the scheme's Shared Cost AVC arrangement in the year is more than £40,000, you may be liable to a tax charge.

The method of valuing benefits in other schemes may be different to the method used in the LGPS.

### **Annual allowance - Special rules if you have taken any "flexible access" benefits from a money purchase (defined contribution) arrangement**

If you have any benefits in a money purchase (defined contribution) pension arrangement which you have flexibly accessed on or after 6 April 2015 then:

- a) in the year in which you flexibly access your money purchase benefits:
  - if your contributions to a money purchase (defined contribution) scheme do not exceed the money purchase annual allowance (MPAA), your pension savings will be tested against the normal £40,000 annual allowance figure (as described in the "standard annual allowance calculation" referred to above), or
  - if your contributions to a money purchase (defined contribution) scheme do exceed the MPAA, your money purchase contributions you paid before flexibly accessing your money purchase benefits will, together with value of your defined benefit savings for the year, be measured against the alternative annual allowance figure (see table below) and your money purchase contributions paid after flexibly accessing your money purchase benefits will be measured against the MPAA figure.

Tax Year	MPAA	Alternative annual allowance if MPAA is exceeded
2015/16	Special rules apply*	See c) below
2016/17	£10,000	£30,000

## Tax Controls and Your LGPS Benefits

2017/18 onwards	£4,000	£36,000
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\*special rules apply for 2015/16 see c) below.

- However, if the “standard annual allowance calculation” referred to above would produce a higher annual allowance tax charge, then that figure will be used instead.
- b) in subsequent years:
- if your contributions to a money purchase (defined contribution) scheme do not exceed the MPAA, your pension savings will be tested against the normal annual allowance figure, or
  - if your contributions to a money purchase (defined contribution) scheme do exceed the MPAA, your annual allowance charge will be based on any money purchase (defined contribution) savings for the year in excess of the MPAA, plus the value of any defined benefit savings in excess of the alternative annual allowance figure shown above. It will not be possible to carry forward any unused money purchase (defined contribution) annual allowance to offset against the MPAA.
- c) Transitional rules applied for the year 2015/16:
- Pre-alignment tax year - 1 April 2015 to 8 July 2015:**
- if flexible access occurred in the pre-alignment tax year and your contributions to a money purchase (defined contribution) scheme did not exceed £20,000, your pension savings would have been tested against the standard £80,000 annual allowance figure for the pre-alignment tax year (as described above), or
  - if your contributions to a money purchase (defined contribution) scheme exceeded £20,000, the money purchase contributions you paid before flexibly accessing your money purchase benefits would, together with the value of your defined benefit savings for the pre-alignment year, have been measured against an alternative annual allowance figure of £60,000 and your money purchase contributions paid after flexibly accessing your money purchase benefits would have been measured against an annual allowance figure of £20,000.
- Post-alignment tax year - 9 July 2015 to 5 April 2016:**
- if flexible access occurred in the pre-alignment tax year and your contributions to a money purchase (defined contribution) scheme did not exceed £20,000 the annual allowance for this period is the amount of the £80,000 not used up from the pre-alignment tax year (subject to a maximum of £40,000).
  - if flexible access occurred in the pre-alignment tax year and you were subject to the alternative the annual allowance of £60,000, the annual allowance for the post alignment tax year is
    - for your money purchase (defined contribution) contributions - the amount of the £20,000 that has not been used from the pre-alignment tax year, subject to a maximum of £10,000.
    - for your defined benefits savings the amount of the £60,000 that has not been used from the pre-alignment tax year, subject to a maximum of £30,000.

## Tax Controls and Your LGPS Benefits

- if the flexible access occurred in the post-alignment tax year your contributions to a money purchase (defined contribution) scheme were subject to an annual allowance of £10,000 and your defined benefit savings to an annual allowance of £30,000.

"Flexible access" means taking a cash amount over the tax-free lump sum from a flexi-access drawdown account; taking an uncrystallised funds pension lump sum (UFPLS); purchasing a flexible annuity; taking a scheme pension from a defined contribution scheme with fewer than 12 pensioner members or taking a stand-alone lump sum<sup>11</sup> if you have primary but not enhanced protection.

### **Please note:**

If you have elected to transfer pension rights from another scheme into the LGPS, the value of the benefits relating to the transfer does not count towards your pension savings in the LGPS in the year in which the transfer payment is received except in the case of a transfer under **Club transfer rules**<sup>12</sup>.

If your pension benefits in the LGPS are reduced following a Pension Sharing Order or a qualifying agreement in Scotland (issued as a result of a divorce or dissolution of a **civil partnership**) then, for the purposes of calculating the value of your pension savings in the LGPS, the reduction in your benefits is ignored in the year that the Pension Sharing Order or qualifying agreement is applied to your benefits.

If you retire on grounds of permanent ill health and an independent registered medical practitioner certifies that you are suffering from ill-health which makes it unlikely that you will be able (otherwise than to an insignificant extent) to undertake gainful work (in any capacity) before reaching your **State Pension Age** there is no annual allowance tax charge on the ill health retirement benefits.

It is important to note that the assessment covers any pension benefits you may have where you have been an active member during the tax year, not just benefits in the LGPS.

Cheshire Pension Fund will inform you if your LGPS pension savings in a pension input period are more than the annual allowance not later than 6 October following the end of the relevant tax year.

If you exceed the annual allowance in any year you are responsible for reporting this to HMRC on your self-assessment tax return. Cheshire Pension Fund will be able to tell you how much the value of your LGPS benefits have increased during an input period, plus the amount of any **Additional Voluntary Contributions (AVCs)** you may have paid during the input period.

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<sup>11</sup> A lump sum relating to pre 6 April 2006 where the whole amount can be taken as a lump sum without a connected pension.

<sup>12</sup> In the case of members wishing to transfer from a Club scheme, the value of benefits bought in the LGPS by such a Club transfer which does not fully relate to the amount of transfer value received will be taken into account for Annual Allowance purposes. Cheshire Pension Fund will inform you if your LGPS pension savings in a pension input period is affected by a Club scheme transfer.

## Tax Controls and Your LGPS Benefits

If you have an annual allowance tax charge that is more than £2,000 and your pension savings in the LGPS alone have increased in the tax year by more than the standard annual allowance you may be able to opt for the LGPS to pay some or all of the tax charge on your behalf. The tax charge would then be recovered from your pension benefits. If you want the LGPS to pay some or all of an annual allowance charge on your behalf, you must give your notification no later than 31 July in the year following the end of the tax year to which the annual allowance charge relates. However, if you are retiring and become entitled to **all** of your benefits from the LGPS and you want the LGPS to pay some or all of the tax charge on your behalf from your benefits, you must tell the Cheshire Pension Fund before you become entitled to those benefits. The Cheshire Pension Fund will be able to tell you more about this and the time limits that apply.

The general exemption from the annual allowance for the relatively small number of scheme members who applied to HMRC for, and received, an enhanced protection certificate ceased on 6 April 2011.

### Tapered Annual Allowance for higher earners

From the tax year 2016/17 the Annual Allowance is tapered for members who have a 'Threshold Income' in excess of £110,000, and 'Adjusted Income' in excess of £150,000. For every £2 that your Adjusted Income exceeds £150,000, your Annual Allowance is reduced by £1 (to a minimum of £10,000).

	<b>Definition</b>	<b>Limit</b>
<b>Threshold Income</b>	Broadly your taxable income after the deduction of your pension contributions (including AVCs deducted under the net pay arrangement)	£110,000
<b>Adjusted Income</b>	Broadly your threshold income plus pensions savings built up over the tax year	£150,000

Threshold income includes all sources of income that are taxable e.g. property income, savings income, dividend income, pension income, social security income (where taxable), state pension income etc.

Please note, you are not allowed to deduct from taxable income any amount of employment income given up for pension provision as a result of any salary sacrifice made on or after 9 July 2015.



## Tax Controls and Your LGPS Benefits

### How does the taper work?

From 6 April 2016, the taper reduces the Annual Allowance by £1 for £2 of adjusted income received over £150,000, until a minimum Annual Allowance of £10,000 is reached. This means that from 6 April 2016 the Annual Allowance for high earners is as follows:

Adjusted Income	Annual Allowance
£150,000 or below	£40,000
£160,000	£35,000
£170,000	£30,000
£180,000	£25,000
£190,000	£20,000
£200,000	£15,000
£210,000 or above	£10,000

### Examples

<b>Cerys</b>		
Gross Salary 2016/17	£120,000	
Less employee pension contributions	£13,680	11.4%
<b>Threshold Income 2016/17</b>	<b>£106,320</b>	Below £110,000 so the AA will not be tapered and remains at £40,000
Pensions saving in the year	£39,184	<b>Less than £40,000 so no tax charge</b>
<b>Sanjay</b>		
Gross salary 2016/17	£130,000	
Less employee pension contributions	£14,820	11.4%
Plus taxable income from property	£30,000	
<b>Threshold Income 2016/17</b>	<b>£145,180</b>	
Plus pensions saving in the year	£42,449	
<b>Adjusted Income 2016/17</b>	<b>£187,629</b>	Greater than £150,000 so AA will be tapered
Tapered AA	£21,185*	
In excess of AA	£21,264	Pension saving of £42,449 less tapered AA
<b>AA tax charge</b> at marginal rate (assumed to be 40%)	<b>£8,505</b>	21,264 x 40%

\*Taper = £187,629 - £150,000 = £37,629 / 2 = £18,815. Standard AA £40,000 less £18,815 = £21,185

Please note, the examples above make no allowance for any carry forward. The pension savings in the year assume that both Sanjay and Cerys have no final salary benefits in the LGPS and that they are not paying any additional contributions.

### 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**, **eligible cohabiting partner's** or dependant's pension you may be entitled to) is more than the lifetime allowance, or more than any protections you

## Tax Controls and Your LGPS Benefits

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 was introduced in 2006 and was reduced in 2012 and again in 2014. Each time the lifetime allowance reduced, if you had already planned your pension savings on the basis of the higher lifetime allowance you could protect your pension savings by applying to HMRC for a protection certificate.

The lifetime allowance steadily reduced from 2012/13 to 2017/18. From 2018/19 onwards the lifetime allowance increases each year in line with inflation, see below:

<b>Tax Year</b>	<b>Lifetime Allowance</b>
2011/12	£1.8 million
2012/13	£1.5 million
2013/14	£1.5 million
2014/15	£1.25 million
2015/16	£1.25 million
2016/17	£1.00 million
2017/18	£1.00 million
2018/19	£1.03 million

For pensions that start to be drawn on or after 6 April 2006, the capital value of those pension benefits is calculated by multiplying your pension by 20 and adding any lump sum you draw from the 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 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%.

There are protections called primary lifetime allowance protection, enhanced protection, fixed protection, fixed protection 2014 and individual protection 2014, fixed protection 2016 and individual protection 2016. Information on these is provided below.

## Tax Controls and Your LGPS Benefits

### Primary lifetime allowance protection

Primary protection is aimed at protecting benefits earned up to 5 April 2006 for those high earners affected by the introduction of the lifetime allowance from 6 April 2006 i.e. those whose benefits at 5 April 2006 already had a capital value in excess of the 2006/07 lifetime allowance of £1.5 million.

If the value of your pension benefits at 5 April 2006 was more than the 2006/07 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 2006/07 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 2006/07 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).

To have primary protection you must have registered for it with HM Revenue and Customs by 5 April 2009.

### 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 2006/07 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 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 cost of living or increases in your **pensionable pay**. If the limit is exceeded you will pay tax on the excess. You will lose enhanced protection if you pay contributions into a money purchase pension arrangement (e.g. pay into the LGPS arranged **AVC** facility<sup>13</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.

To have enhanced protection you must have registered for it with HM Revenue and Customs by 5 April 2009.

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<sup>13</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 e.g. you do not adjust the premiums to purchase increased life cover.

## Tax Controls and Your LGPS Benefits

### Transitional Protection: Lump Sums

If you were in the LGPS before 1 April 2008, you will be entitled to an automatic lump sum from the LGPS when you draw your benefits, 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:

<https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm092100>

### Fixed Protection

The lifetime allowance reduced to £1.5 million in 2012/13 and a new fixed protection was introduced. You can't have fixed protection if you have either primary or enhanced protection. With fixed protection your lifetime allowance is fixed at £1.8 million.

The maximum tax free lump sum you can take on retirement is the lesser of:

- 25% of the capital value of your LGPS benefits, or
- 25% of the lifetime allowance which, for those with fixed protection, is £450,000 (i.e. 25% of your lifetime allowance of £1.8 million) or if you have previously taken payment of (crystallised) pension benefits 25% of the remaining lifetime allowance.

You will lose fixed protection if you start a new pension arrangement, other than to accept a transfer of existing pension rights, or if your benefits increase by more than the cost of living increases, or if you pay contributions into a money purchase pension arrangement other than to a life assurance policy providing death benefits that started before 6 April 2006. You will also be subject to restrictions on where and how you can transfer benefits.

If you lose fixed protection you must notify HM Revenue & Customs (HMRC) within 90 days. Failure to do so could result in a fine of £300 and a penalty of up to £60 per day after the initial fine has been issued until you supply them with the required notification.

To have fixed protection you must have applied to HMRC in their prescribed form on or before 5 April 2012.

### Fixed Protection 2014

The lifetime allowance reduced to £1.25 million in 2014/15 and a new protection called fixed protection 2014 was introduced. If you expect your pension savings to be more than £1.25 million (including taking into account past benefits already in payment) when

## Tax Controls and Your LGPS Benefits

you come to take them on or after 6 April 2014 you can use fixed protection 2014 to help reduce or mitigate the lifetime allowance charge. You can't have fixed protection 2014 if you already have primary, enhanced or fixed protection. With fixed protection 2014 your lifetime allowance is fixed at £1.5 million rather than the new standard lifetime allowance of £1.25 million.

The maximum tax free lump sum you can take on retirement is the lesser of:

- 25% of the capital value of your LGPS benefits, or
- 25% of the lifetime allowance which, for those with fixed protection, is £375,000 (i.e. 25% of your lifetime allowance of £1.5 million) or if you have previously taken payment of (crystallised) pension benefits 25% of the remaining lifetime allowance.

You will lose fixed protection 2014 if you start a new pension arrangement, other than to accept a transfer of existing pension rights, or if your benefits increase by more than the cost of living increases, or if you pay contributions into a money purchase pension arrangement other than to a life assurance policy providing death benefits that started before 6 April 2006. You will also be subject to restrictions on where and how you can transfer benefits.

If you lose fixed protection 2014 you must notify HM Revenue & Customs (HMRC) within 90 days. Failure to do so could result in a fine of £300 and a penalty of up to £60 per day after the initial fine has been issued until you supply them with the required notification.

To have fixed protection 2014 you must have applied to HMRC in their prescribed form on or before 5 April 2014.

### **Individual protection 2014**

As well as fixed protection 2014, the government has announced that individual protection 2014 will be available when the lifetime allowance is reduced to £1.25 million for 2014/15. Individual protection 2014 will apply from 6 April 2014 for those with pension savings valued at over £1.25 million on 5 April 2014.

Individual protection 2014 will give a protected lifetime allowance equal to the value of your pension rights on 5 April 2014 - up to an overall maximum of £1.5 million. You will not lose individual protection 2014 by making further savings in to your pension scheme but any pension savings in excess of your protected lifetime allowance will be subject to a lifetime allowance charge.

Your application for individual protection 2014 must have been received by HMRC no later than 5 April 2017.

You can hold both fixed protection 2014 and individual protection 2014 but you can't apply for them at the same time. You can also hold individual protection while holding either enhanced protection or fixed protection but you couldn't apply for individual protection if you already held primary protection.

For more information on individual protection 2014 see:

<https://www.gov.uk/government/publications/pensions-individual-protection-2014>

## Tax Controls and Your LGPS Benefits

### Fixed Protection 2016

The lifetime allowance reduced to £1 million in 2016/17 and a new protection called fixed protection 2016 was introduced. You are able to apply for fixed protection 2016 if you expect your pension savings to be more than £1 million (including taking into account past benefits already in payment) when you come to take them on or after 6 April 2016. Fixed protection 2016 can be used to help reduce or mitigate the lifetime allowance charge.

You can't have fixed protection 2016 if you already have primary, enhanced, fixed protection 2012 or fixed protection 2014.

With fixed protection 2016 your lifetime allowance is fixed at £1.25 million rather than the standard lifetime allowance. The maximum tax free lump sum you can take on retirement is the lesser of:

- 25% of the capital value of your LGPS benefits, or
- 25% of the lifetime allowance which, for those with fixed protection, is £312,500 (i.e. 25% of your lifetime allowance of £1.25million) or if you have previously taken payment of (crystallised) pension benefits, 25% of the remaining lifetime allowance.

Please note, you will lose fixed protection 2016 if you are an active member of the LGPS on or after 6 April 2016. Fixed protection 2016 is lost if your benefits increase by more than the cost of living increase. As the cost of living increase for the year 2016/17 is zero, any pension build up, however small, will lead to your pension increasing by more than zero. Therefore, if you applied for and wish to keep, fixed protection 2016 you would have needed to have opted out of the LGPS with effect from 6 April 2016.

Fixed protection 2016 will also be lost if you start a new pension arrangement, other than to accept a transfer of existing pension rights, or if you pay contributions into a money purchase pension arrangement, other than to a life assurance policy providing death benefits that started before 6 April 2006. You will also be subject to restrictions on where and how you can transfer benefits.

If you lose fixed protection 2016 you must electronically notify HMRC within 90 days of the day on which you could first reasonably be expected to have known that an event had occurred causing you to have lost this protection. Failure to do so could result in a fine of £300 and a penalty of up to £60 per day after the initial fine has been issued until you supply them with the required notification.

### Individual Protection 2016

In addition to fixed protection 2016, individual protection 2016 was also introduced when the lifetime allowance reduced to £1 million in 2016/17. You can apply for individual protection 2016 from 6 April 2016 if you have pension savings valued at over £1 million (including taking into account past benefits already in payment) on 5 April 2016. However, if you have primary protection or individual protection 2014 you can't apply for individual protection 2016.



## Tax Controls and Your LGPS Benefits

Individual protection 2016 gives a protected lifetime allowance equal to the value of your pension rights on 5 April 2016 - up to an overall maximum of £1.25 million. You will not lose individual protection 2016 by making further savings in to your pension scheme but any pension savings in excess of your protected lifetime allowance will be subject to a lifetime allowance charge.

### Applying for Fixed and Individual Protection 2016

HMRC have introduced a new [online self-service](#) for pension scheme members to apply for individual protection 2016 or fixed protection 2016.

You will no longer receive a lifetime allowance protection certificate, instead once you have successfully applied for protection the online service will provide you with a reference number which you will need to keep.

### More information

For more information or if you have a problem or question about your LGPS benefits, please contact Cheshire Pension Fund. [Contact details can be found at the front of this booklet.](#)

The national web site for members of the LGPS can be found at [www.lgpsmember.org](http://www.lgpsmember.org)

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](#).

## 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 your Cheshire Pension Fund. **Contact details can be found at the front 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 reviewed under the scheme's Internal Disputes Resolution Procedure. There are also a number of other regulatory bodies that may be able to assist you.

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

- **Internal Disputes Resolution Procedure**

In the first instance you should write to the adjudicator appointed 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 adjudicator 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 adjudicator will consider your complaint and notify you of his or her decision.

If you are dissatisfied with that person's decision, (or their failure to make a decision) you may apply to the Cheshire West and Chester Council to have it reconsidered.

The Cheshire Pension Fund can tell you who Cheshire West and Chester Council's adjudicator 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 at the front of this booklet.

- **The Pensions Advisory Service (TPAS)**

TPAS provide independent and impartial information about pensions, free of charge, to members of the public. TPAS is available to assist members and beneficiaries of the scheme with any pension query they have or any general requests for information or guidance concerning their pension benefits. TPAS can be contacted at:

11 Belgrave Road  
London

SW1V 1RB

Telephone: 0800 011 3797

Website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk) (where you can submit an online enquiry form).

## Help with Pension Problems

- **The Pensions Ombudsman (TPO)**

The TPO deals only with pension complaints. It can help if you have a complaint or dispute about the administration and /or management of personal and occupational pension schemes. Some examples of the types of complaints it considers are (this list is not exhaustive):

- automatic enrolment
- benefits: including incorrect calculation, failure to pay or late payment
- death benefits
- failure to provide information or act on instructions
- ill health
- interpretation of scheme rules
- misquote or misinformation
- transfers

You have the right to refer your complaint to the TPO free of charge. There is no financial limit on the amount of money that TPO can make a party award you. Its determinations are legally binding on all parties and are enforceable in court.

Contact with the TPO about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later within three years of when you first knew about it (or ought to have known about it). There is a discretion for those time limits to be extended.

TPO can be contacted at:

10 South Colonnade  
Canary Wharf  
E14 4PU  
Telephone: 0800 917 4487  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk) (where you can submit an online complaint form)

- **The Pensions Regulator**

**Website:** [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

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:

Telephone: 0345 6007060  
Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## 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 the 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 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU

Telephone: 0800 731 0193  
Or visit: [www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension)

**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 benefits, please contact Cheshire Pension Fund. **Contact details can be found at the front of this booklet.**

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

## If you Joined the LGPS Before 1 April 2014

### The Local Government Pension Scheme (LGPS) changed from a final salary scheme to a career average scheme on the 1 April 2014.

All benefits built up in the LGPS for membership after 31 March 2014 are worked out under the rules of the new career average scheme.

However, if you joined the scheme before 1 April 2014 you will also have built up benefits in the final salary scheme. In this section we will look at how benefits in the final salary scheme are worked out, when they are payable and the protections in place for members in the scheme before it changed on 1 April 2014.

Your benefits in the LGPS built up before 1 April 2014 are based on your membership in the scheme up to 31 March 2014 and your **final pay** when you leave the scheme although the benefits based on membership to 31 March 2008 are calculated slightly differently to benefits based on membership between 1 April 2008 and 31 March 2014.

#### How are benefits worked out?

**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 3 times your pension.

**For membership built up from 1 April 2008 to 31 March 2014**, you receive a pension of 1/60<sup>th</sup> of your **final pay**. There is no automatic lump sum for membership built up after March 2008, but you do have the option to exchange some of your pension for a tax-free lump sum.

**For membership built up from 1 April 2014**, every year you will build up a pension at a rate of 1/49<sup>th</sup> of the amount of **pensionable pay** you received in that **scheme year** if you are in the main section of the scheme (or half this rate of build up for any period you have elected to be in the 50/50 section of the scheme). This pension is then added to your **pension account** and revalued at the end of each **scheme year** so your pension keeps up with the cost of living.

**Here is an example of how benefits are worked out if you have membership from before 31 March 2008 onwards.**

Let's look at someone who has:

8 years membership up to 31 March 2008

6 years membership from 1 April 2008 to 31 March 2014

4 years membership from 1 April 2014 until they retire at age 65

Their final year's pay for benefits in the final salary scheme is £26,500.

#### **Benefits based on their 8 years membership up to 31 March 2008**

Their **annual pension** is:

$$8/80^{\text{ths}} \times \text{£}26,500 = \text{£}2,650$$

Plus an **automatic tax-free lump sum**:

$$3 \times 8/80^{\text{ths}} \times \text{£}26,500 = \text{£}7,950$$

## If you Joined the LGPS Before 1 April 2014

### Benefits based on their 6 years membership from 1 April 2008 to 31 March 2014

Their **annual pension** is:

$$6/60^{\text{ths}} \times \pounds 26,500 = \pounds 2,650$$

### Benefits based on their 4 years membership from 1 April 2014 (in main section throughout)

Year	Opening Balance	Pension built up in year	Total Account 31 March	Cost of living adjustment	Updated Total Account
1	£0.00	£25,200/ 49 = <b>£514.29</b>	£514.29	£6.17 (1.2%)	£520.46
2	£520.46	£25,700/ 49 = <b>£524.49</b>	£1,044.95	£10.45 (1%)	£1,055.40
3	£1,055.40	£26,000/ 49 = <b>£530.61</b>	£1,586.01	£7.93 (0.5%)	£1,593.94
4	£1,593.94	£26,500/ 49 = <b>£540.82</b>	£2,134.76	£42.70 (2%)	<b>£2,177.46</b>

To give total benefits of:

An **annual pension**

$$\pounds 2,650 \text{ plus } \pounds 2,650 \text{ plus } \pounds 2,177.46 = \pounds 7,477.46$$

Plus an **automatic tax-free lump sum = £7,950.00**

But remember that you can choose 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>14</sup>. For every £1 of annual pension that you give up you will receive an extra £12 lump sum.

If you transferred previous non-LGPS pension rights, or pension rights from the LGPS in Scotland or Northern Ireland, into your current membership, then the revalued amount of the pension benefits bought by the transfer will be added to the retirement benefits as calculated above.

<sup>14</sup> Limited to £257,500 (2018/19 figure) or if you have previously taken payment of (crystallised) pension benefits 25% of your remaining lifetime allowance.



## If you Joined the LGPS Before 1 April 2014

### What counts towards membership in the scheme before 1 April 2014?

Your benefits in the LGPS built up before 1 April 2014 are based on your membership built up in the scheme before this date and your **final pay** when you leave the scheme. Membership built up before 1 April 2014 normally includes:

- How long you have been a member of the LGPS before 1 April 2014 worked out in years and days, but excluding:
  - pre 1 April 2014 membership for which you already receive an LGPS pension or hold an LGPS deferred pension
  - pre 1 April 2014 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 where the relevant date for the transfer was before 1 April 2014.
- 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 before 1 April 2014.

The membership used to calculate your benefits could be different to your actual calendar length membership of the LGPS before 1 April 2014. For example:

**If you worked part-time before 1 April 2014**, your membership is reduced to its whole-time equivalent length to calculate the amount of your retirement benefits. For example, if you worked half-time for 10 years, your benefits would be calculated on 5 years membership.

**If your hours changed during your membership of the scheme before 1 April 2014**, your benefits will be calculated to reflect the changes.

**If you did not have any contractual hours**, your membership for each year in the LGPS before 1 April 2014 will be calculated on average weekly hours working 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.

### What counts towards final pay to work out my benefits in the LGPS before 1 April 2014?

Whilst the scheme changed on 1 April 2014, protection is in place to ensure that, when you leave, your **final pay** is used to work out your pension for the membership you built up to 31 March 2014.

The definition of **final pay** for benefits built up before 1 April 2014 remains the same as before the scheme changed from a final salary to a career average scheme on 1 April 2014 .

## If you Joined the LGPS Before 1 April 2014

### Final Pay for pre 1 April 2014 benefits

This is usually the pay in respect of (i.e. due for) the final year<sup>15</sup> of scheme membership on which you paid contributions, or one of the previous 2 years if this is higher, and includes your:

- normal pay
- contractual shift allowance
- bonus
- contractual overtime
- Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay, and
- any other taxable benefit specified in your contract as being pensionable.

This may not include all your pay. It does not 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 award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

If you receive pay after 31 March 2014 which relates to work carried out before 1 April 2014, this will be allocated to the pre 1 April 2014 period for which it was due. If you cease membership of the scheme within 12 months of when the payment was due, it will be included in the **final pay** figure used to calculate benefits on your pre 1 April 2014 membership of the scheme. In either case it will not count towards the **pensionable pay** used to work out your pension from 1 April 2014 in the career average scheme.

**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, adoption or shared parental 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, adoption or shared parental leave.

**If your pay is reduced or increases to your pay are restricted** in your last 10 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 (using the definition of pensionable pay before 1 April 2014), or is restricted for some other reason, you may have the option to have your **final pay** calculated as the average of any 3 consecutive years' pay in the last 13 years (ending on a 31 March). Such an option must be made to the Cheshire Pension Fund no later than one month before

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<sup>15</sup> Grossed up to a full year's pay if you did not receive pay for a full year.

## If you Joined the LGPS Before 1 April 2014

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 10 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 5 years, or the average of the best consecutive 3 years in the last 13 years after allowing for inflation.

### What if I am paying extra?

Also included in your pre 1 April 2014 benefits are the following:

#### **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 draw your benefits before age 65 (other than on the grounds of permanent ill health), or you are retired on redundancy or business efficiency grounds, the extra pension you have bought through an ARC will be reduced for early payment.

If you draw your benefits on flexible retirement, you can, if you wish, draw all the extra pension you have paid for, although it will be reduced for early payment. If you choose to draw the extra pension on flexible retirement, your ARCs contract will cease (if you are still paying the extra contributions when you draw your flexible retirement benefits). You will not be able to take out a new ARC contract, but you will be able to take out an Additional Pensions Contributions (APC) contract - see the [Contribution Flexibility](#) section for more information.

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)**

Please note that for LGPS Added Years contracts the contribution amount you pay is based on a percentage of the definition of pensionable pay before 1 April 2014 (see above section on **final pay for pre 1 April 2014 benefits** for further information).

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 below for the rules on ill health retirement.

## If you Joined the LGPS Before 1 April 2014

If you retire on ill health grounds whilst 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 whilst 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.

If you draw your benefits on taking flexible retirement and you elected before 1 October 2006 to commence your added years contract 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 you elected on or after 1 October 2006 to commence your added years contract, you can, if you wish, choose to be credited with the extra years of membership that you have paid for at the point of flexible retirement and this will increase the value of your benefits paid. If you choose to be credited with the extra years of membership on flexible retirement, your added years contract will cease (if you are still paying these extra contributions when you draw your benefits). If you do not choose to be credited with the extra years of membership on flexible retirement, your added years contract will continue.

If your pre 1 April 2014 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 *Additional Voluntary Contributions (AVCs)* arranged through the LGPS (in-house AVCs)**

You can pay up to 100% of your pensionable pay into an in-house AVC. Your employer can also pay towards your AVC at their *discretion* – this is known as a shared cost AVC.

Your contributions will cease when you cease to contribute to the LGPS (or cease two days before age 75 if you carry on in work beyond that age). However, the rules are slightly different if you take flexible retirement, as explained later.

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

- **Buy one or more annuities**

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 take your LGPS benefits or you may be able to choose to delay payment until any time up to the eve of your 75<sup>th</sup> birthday.

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.

## If you Joined the LGPS Before 1 April 2014

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 were an active member of the LGPS on or after 1 April 2014, you can buy a top-up pension with your AVC plan as long as you take it at the same time as your main scheme benefits. Dependent's benefits will automatically be provided in the event of your death. The top-up pension you buy will increase in line with inflation.

If you left the LGPS before 1 April 2014, you can only buy a top-up pension with your AVC plan if you take immediate payment of your main scheme pension benefits when you leave the scheme and you take your AVC plan at the same time i.e. you are not allowed to buy a top-up pension with your AVC plan if you defer your main scheme pension benefits when you leave the LGPS and take them at a later date. You have the option to provide for dependents' benefits in the event of your death. The top-up pension you buy will increase in line with inflation.

- **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 flexible retirement, 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. The extra membership will attract a pension of 1/60<sup>th</sup> of your **final pay** for each year of membership purchased.

- **Take your AVCs as cash**

You can take some or all of your AVC fund as a tax-free lump sum<sup>16</sup> but you can only take it all as a lump sum if you take it at the same time as your main LGPS benefits and 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).

- **Transfer your AVC fund to another pension scheme or arrangement**

You can transfer your AVC fund to another pension scheme or arrangement, including to a scheme that offers flexible benefits, independently of your main scheme benefits; and provided you have stopped paying AVCs, you can even transfer your AVC fund even if

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<sup>16</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 £257,500 (2018/19 figure), or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

## If you Joined the LGPS Before 1 April 2014

you continue to contribute to the LGPS.

If you were to transfer your AVC funds to a defined contribution scheme the four main flexible benefit options that scheme might offer (from age 55) include:

- to purchase an annuity (yearly pension) or scheme pension
- taking a number of cash sums at different stages
- taking the entire pot as cash in one go
- flexi access drawdown - using your pension pot to provide a flexible income. You are normally allowed to take a tax-free lump sum of up to 25% then set aside the rest to provide taxable lump sums as and when, or a regular taxable income.

You should be aware that there may be tax implications associated with accessing flexible benefits. The income from a pension is taxable; the rate of tax you would pay depends on the amount of income that you receive from a pension and from other sources.

Pension guidance is available from the Government's guidance website Pension Wise if you are considering taking flexible benefits. The guidance is free and impartial and can be accessed on the internet, by phone, or face to face. For more information see [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)

If you are considering taking flexible benefits you should consider accessing this pension guidance and taking independent advice to help you decide which option is most suitable for you.

Please note, Pension Wise does not provide guidance about taking benefits from a defined benefit scheme such as the LGPS.

If you are thinking of transferring your AVC plan you should be aware that scammers operate in these markets and are after your pension. To help protect yourself from scammers see the Pension Regulator's [website](#).

Details of your AVC options will be provided to you before your retirement.

**If you draw benefits on flexible retirement** and your AVC contract started on or after 13 November 2001 you can choose to take all of your AVC fund at the time you take your flexible retirement benefits, and, if you wish, continue paying AVCs. If your AVC contract started before 13 November 2001 your AVC contract will cease and you will have to use all of your AVC fund in one of the above ways at the time you draw your flexible retirement benefits.

**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 or drawn at the same time as your LGPS benefits.

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



## If you Joined the LGPS Before 1 April 2014

### 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.

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

If before 1 April 2014 you entered into a contract for your pre 6 April 1988 membership to count for a cohabitee survivor's pension these can continue after 1 April 2014 (but cannot commence after this date). The contribution amount you pay is based on a percentage of the definition of pensionable pay before 1 April 2014 (see above section on **final pay for pre 1 April 2014 benefits** for further information). The extra benefit that you have paid for will be included in calculating any survivor pension payable to an *eligible cohabiting partner* on your death.

But if you are still paying these contributions 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 an *eligible cohabiting partner*, even if you have not completed full payment for it.

#### You should note that:

**If you have been awarded extra membership by your employer** and the date your employer resolved to award this was **between 1 April 2008 and 31 March 2014**, those years will attract a pension at the rate of 1/60<sup>th</sup> of your *final pay* for each year of membership awarded and will be added to your final salary pension.

**If you have been 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 rate of 1/80th of your *final pay* for each year of membership awarded, which will be added to your final salary pension, plus an automatic tax-free lump sum of 3 times the pension.

**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.

### When can I draw my LGPS benefits built up before 1 April 2014?

Whilst the scheme changed on 1 April 2014, protection is in place if you built up benefits in the final salary scheme which means that the **Normal Pension Age** for these benefits is protected and remains, for almost all members, age 65.

## If you Joined the LGPS Before 1 April 2014

If you retire and draw all of your pension at your protected **Normal Pension Age**, the pension built up in the scheme before 1 April 2014 will be paid in full.

If you choose to take your pension before your protected **Normal Pension Age** the pension you have built up in the scheme before 1 April 2014 will normally be reduced, as it's being paid earlier. If you take it later than your protected **Normal Pension Age** it will be increased because it's being paid later. The amount of any reduction or increase will be based on how many years earlier or later than your protected **Normal Pension Age** you draw the pension you have built up in the scheme to 31 March 2014.

**Benefits built up from 1 April 2014** have a **Normal Pension Age** linked to your **State Pension Age** (but with a minimum age of 65). For more details see the section [Your Pension](#).

Please note that you cannot take your benefits built up to 31 March 2014 separately from the benefits you build up from 1 April 2014. All your pension would have to be drawn at the same time (except in the case of Flexible Retirement - for more details see the section [Your Pension](#)).

### **What reductions are applied to my benefits built up before 1 April 2014 if I draw them before my protected Normal Pension Age?**

If you choose to retire before your protected **Normal Pension Age** your benefits built up before 1 April 2014 will be reduced to take account of being paid for longer. Your benefits are initially calculated as detailed under the heading **How are benefits worked out?** above, and are then reduced. How much your benefits are reduced by depends on how early you draw them.

The reduction is calculated in accordance with guidance issued by the Secretary of State from time to time. The reduction is based on the length of time (in years and days) that you retire early – i.e. the period between the date your benefits are paid and your protected **Normal Pension Age**. The earlier you retire, the greater the reduction.

As a guide, the percentage reductions (effective from 29 April 2016) for retirements up to 13 years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

## If you Joined the LGPS Before 1 April 2014

No. of years paid early	Pensions reduction Men	Pensions reduction Women	Lump Sum (for membership to 31 March 2008)
0	0.0%	0.0%	0%
1	5.6%	5.2%	2.9%
2	10.8%	10.1%	5.7%
3	15.5%	14.6%	8.5%
4	20.0%	18.8%	11.2%
5	24.0%	22.7%	13.7%
6	27.8%	26.4%	16.3%
7	31.4%	29.8%	18.7%
8	34.7%	33.0%	21.1%
9	37.7%	36.1%	23.4%
10	40.6%	38.9%	25.6%
11	44.2%	42.2%	N/A *
12	47.6%	45.5%	N/A
13	50.9%	48.6%	N/A

The number of years early used to determine the reduction applied to your benefits built up before 1 April 2014 is the number of years earlier than your protected **Normal Pension Age**, which for almost all members is age 65.

\*The maximum reduction that can be applied to your automatic lump sum for membership to 31 March 2008 is 10 years as the protected **Normal Pension Age** for almost all members is 65, and the earliest that virtually all members can choose to draw their pension is from age 55.

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

You can reduce or avoid the reductions by not taking immediate payment of your benefits on retirement i.e. by delaying payment until a later date. If you decide not to draw immediate benefits, the benefits built up before 1 April 2014 would normally become payable unreduced at your protected **Normal Pension Age**, which for most is age 65, and the benefits built up on or after 1 April 2014 would normally become payable unreduced at your **Normal Pension Age**. You can defer payment beyond that age, although benefits must be paid by age 75. Remember you must draw all your pension (both pre 1 April 2014 and post 31 March 2014 benefits) at the same time (except in the case of Flexible Retirement - for more details see the section [Your Pension](#)).

**If you were a member of the LGPS at any time between 1 April 1998 and 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.**

## If you Joined the LGPS Before 1 April 2014

If you have 85 year rule protection this continues to apply from 1 April 2014. The only occasion where this protection does not automatically apply is if you choose to voluntarily draw your pension on or after age 55 and before age 60.

**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 work 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 draw your pension before your **Normal Pension Age**. The reduction will be based on how many years before your **Normal Pension Age** (protected **Normal Pension Age** for pension built up before 1 April 2014 and new **Normal Pension Age** (linked to **State Pension Age**) for pension built up from 1 April 2014) you draw your benefits.
- **If you will be age 60 or over by 31 March 2016** and choose to draw your pension before your **Normal Pension Age**, 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 will be under age 60 by 31 March 2016** and choose to draw your pension before your protected **Normal Pension Age**, then, **provided you satisfy the 85 year rule when you start to draw your pension**, the benefits you've built 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.

If you take flexible retirement, any 85 year rule protection will apply to the benefits you've built up to the date of flexible retirement but will not apply to benefits you build up after the date of flexible retirement.

**If you choose to voluntarily draw your pension on or after age 55 and before age 60** and you have rule of 85 protections, these will not automatically apply. Your employer can choose to allow the rule of 85 to apply. This is a **discretion** and you can ask your employer what their policy is on this matter.

If you choose to voluntarily draw your pension on or after age 55 and before age 60 and your employer does not choose to allow the rule of 85 to apply, your benefits are reduced.

**Please note that the rules governing 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 your **Normal Pension Age**, you should

## If you Joined the LGPS Before 1 April 2014

contact the Cheshire Pension Fund for a quotation of the benefits payable. If you are thinking of asking for flexible retirement you should firstly contact your employer to check what their policy is for this type of retirement.

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

### What increase is applied to my benefits built up before 1 April 2014 if I draw them after age 65?

The benefits you have built up before 1 April 2014 will be increased if you draw them after age 65. The rate of increase for pre 1 April 2014 benefits drawn after age 65 is a 0.010% increase on the pension for each day the pension is drawn later than age 65 and a 0.001% increase on the automatic lump sum for any pre 1 April 2008 membership for each day that lump sum is drawn later than age 65..

Remember that your pension has to be paid by your 75<sup>th</sup> birthday. Also, all pension benefits, if drawn voluntarily, must be drawn at the same time, irrespective of whether they were built up in the career average scheme or the final salary scheme.

### Early Retirement through Redundancy or Business Efficiency

If you were a member of the LGPS before 1 April 2014 and are made redundant or leave for reasons of business efficiency after 1 April 2014, you must meet the 2 years **vesting period** to be entitled to receive your benefits immediately and without actuarial reduction. If you do not meet the 2 years **vesting period** and are made redundant after 31 March 2014 you will be entitled to a refund of your contributions or a deferred benefit or, provided you have at least 3 months' membership, you can transfer your benefits to another pension scheme.

### Ill health Retirement

You are not entitled to immediate payment of ill health pension benefits if your ill-health retirement occurs after 31 March 2014 and you do not meet the 2 years **vesting period**. You will, instead, be entitled to a refund of your contributions or a deferred benefit or, provided you have at least 3 months' membership, you can transfer your benefits to another pension scheme.

**If you were paying into the LGPS on 31 March 2008**, and were aged 45 or over on that date and have been in continuous membership of the LGPS, then if you qualify for an 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. This protection would not apply if you have previously drawn benefits on taking flexible retirement.

### Additional protection if you are nearing retirement

If you were a member of the scheme before 1 April 2014 there are additional protections in place if you are nearing retirement. This is to ensure that you will get a pension at least equal to that which you would have received in the scheme had it not changed on 1 April 2014. This protection is known as the **underpin**.

## If you Joined the LGPS Before 1 April 2014

The **underpin** applies to you if you were:

- an active member on 31 March 2012, and
- you are within 10 years of your protected **Normal Pension Age** on 1 April 2012, and
- you haven't had a continuous break in active membership of a public service pension scheme of more than 5 years (after 31 March 2012),
- you've not drawn any benefits in the LGPS before protected **Normal Pension Age**, and

The underpin can also apply if you were an active member of another public service pension scheme on 31 March 2012 and you then join the LGPS and transfer your pension benefits from the other public service pension scheme into the career average LGPS scheme and all or part of that transfer buys final salary benefits in the LGPS. The underpin will apply in these circumstances if:

- there is a break of less than 5 years between you leaving the public service pension scheme from which the transfer is received and joining the LGPS
- you were within 10 years of age 65 on 1 April 2012
- you haven't had a continuous break in active membership of a public service pension scheme of more than 5 years (after 31 March 2012)
- you haven't taken any benefits in the career average LGPS scheme before the date the underpin calculation is performed - this is the earlier of the date you leave the LGPS or age 65.

The underpin will not apply to you if:

- you leave without an immediate entitlement to benefits
- you elect to opt out of the scheme before your protected **Normal Pension Age**, or
- you wish to draw benefits from an age where you would have required employer consent to do so under the pre 1 April 2014 scheme, or
- you leave the scheme with a deferred benefit and, at the date of leaving, you would have required your employer's consent to take payment of those benefits under the pre 1 April 2014 scheme

From 14 May 2018, you normally need your employer's consent to take payment of your benefits in the pre 1 April 2014 scheme before age 55. Before 14 May 2018, you needed your employer's consent to take payment of your benefits in the pre 1 April 2014 scheme before age 60.

If you are covered by the underpin a calculation will be performed at the date you cease to contribute to the Scheme, or at your protected **Normal Pension Age** if earlier, to check that the pension you have built up (or, if you have been in the 50/50 section of the scheme at any time, the pension you would have built up had you always been in the main section of the scheme) is at least equal to that which you would have received had the scheme not changed on 1 April 2014. If it isn't, the difference will be added into your **pension account** when you draw your benefits.

The Cheshire Pension Fund will carry out this underpin check if you meet the criteria above.



## If you Joined the LGPS Before 1 April 2014

### More information

For more information or if you have a problem or question about your LGPS benefits, please contact the Cheshire Pension Fund. **Contact details can be found at the front of this booklet.**

The national web site for members of the LGPS can be found at [www.lgpsmember.org](http://www.lgpsmember.org).

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**.

## Some Terms We Use

Where pension terms are used, they appear in ***bold italic*** type.

### **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 AVC arrangement in which 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.

### **Assumed Pensionable Pay**

This provides a notional ***pensionable pay*** figure to ensure your pension is not affected by any reduction in ***pensionable pay*** due to a period of sickness or injury on reduced contractual pay or no pay, or ***relevant child related leave*** or ***reserve forces service leave***.

If you have a period of reduced contractual or no pay due to sickness or injury or you have a period of ***relevant child related leave*** or ***reserve forces service leave*** then your employer needs to provide the pension fund with the ***assumed pensionable pay*** you would have received during that time unless during the period of ***relevant child related leave*** the ***pensionable pay*** received was higher than the value of the ***assumed pensionable pay***. This requires a calculation to be carried out by your employer to determine what your pay would have been for the period when you were on reduced contractual pay or no pay due to sickness or the period of ***relevant child related leave*** or ***reserve forces service leave***.

The ***assumed pensionable pay*** is calculated as the average of the ***pensionable pay*** you received for the 12 weeks (or 3 months if monthly paid) before the pay period in which you went on to reduced pay or no pay because of sickness or injury or before you started a period of ***relevant child related leave*** or ***reserve forces service leave***. In calculating the average, any reduction due to authorised leave of absence or due to a trade dispute is ignored. If the pay you receive in the 12 weeks (or 3 months if monthly paid) before the pay period in which you went on to reduced pay or no pay is materially lower than the pay you would normally receive, your employer has a discretion to use a higher pay in the calculation. Your employer must have regard to the pensionable pay you earned over the previous 12 months when determining what your normal level of pensionable pay is. The resulting figure is then grossed up to an annual figure and then divided by the period of time you were on reduced pay or no pay for sickness or injury or on ***relevant child related leave*** or ***reserve forces service leave***.

***Assumed pensionable pay*** is also used to work out any enhancement to your pension awarded as a result of ill health retirement, any lump sum death grant following death in service, and any enhancement which is included in survivor benefits following death in service. The ***assumed pensionable pay*** for these purposes is calculated as the average of the ***pensionable pay*** you received for the 12 weeks (or 3 months if monthly paid) before you died in service or before you left employment due to ill-health retirement. In calculating the average, any reduction due to authorised leave of absence

## Some Terms We Use

or due to a trade dispute is ignored. If the pay you receive in the 12 weeks (or 3 months if monthly paid) before the pay period in which you went on to reduced pay or no pay is materially lower than the pay you would normally receive, your employer has a discretion to use a higher pay in the calculation. Your employer must have regard to the pensionable pay you earned over the previous 12 months when determining what your normal level of pensionable pay is. Also, where an independent registered medical practitioner certifies that, during the period used to determine **assumed pensionable pay**, you were working reduced contractual hours because of the ill-health which led to your retirement or death in service, the **assumed pensionable pay** is to be calculated on the pay you would have received during that period had you not been working reduced contractual hours. The resulting figure is then grossed up to an annual figure.

### Automatic enrolment date

This is the earlier of:

- the day you reach age 22 provided you are earning more than £10,000 (2018/19 figure) a year in the job, or
- the beginning of the pay period in which you first earn more than £10,000 (2018/19 figure) in the job, on an annualised basis, provided you are aged 22 or more and under **State Pension Age** at that time.

### 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.

### Club transfer rules

**Club transfer rules** allow certain **occupational pension schemes**, mainly **public service pension schemes**, to calculate transfers on a special terms. Transfers into the LGPS, including final salary membership from other public sector club transfer schemes (usually membership up to 31 March 2015), or transfers out of the LGPS to other public sector club schemes (including final salary membership built up before 1 April 2014), provide benefits that are broadly equivalent across both schemes. Provided there is not a continuous break in active membership of a **public service pension scheme** of more than 5 years, any final salary membership transferred would purchase a period of membership and retain a final salary link. Cheshire West and Chester Council will provide you with further information on club transfers should this apply to you.

### Contracted out

The LGPS was formerly **contracted out** of the **State Earning Related Pension Scheme (SERPS)** and the **State Second Pension (S2P)**. This meant that, up until 5 April 2016, prior to **State Pension Age** you paid reduced National Insurance contributions between certain thresholds (unless you had 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)**.

From 6 April 2016 the 'contracted out' status ceased to exist for all pension schemes due to the introduction of the new single tier State Pension. Therefore, from 6 April 2016 members of the LGPS pay the standard rate of National Insurance.

## Some Terms We Use

### Consumer Prices Index (CPI)

The **Consumer Price Index (CPI)** is the official measure of inflation of consumer prices in the United Kingdom. This is currently the measure used to adjust your **pension account** at the end of every **scheme year** when you are an active member of the scheme and, after you have ceased to be an active member, it is used to increase (each April) the value of your deferred pension in the scheme and any pension in payment from the scheme. The adjustment ensures your pension keeps up with the cost of living.

### 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, federated schools, technical institutes, 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 Cheshire West and Chester Council to choose how they will apply the scheme in respect of certain provisions. Under the LGPS your employer or Cheshire West and Chester Council 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 Cheshire West and Chester Council what their policy is in relation to a **discretion**.

### Eligible children

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

- be your natural child (who must be born within 12 months of your death), or
- be your adopted child, or
- be your step-child or a child accepted by you as being a member of your family (this doesn't include a child you sponsor for charity) and be dependent on you.

**Eligible children** must meet the following conditions:

- be under age 18, or
- be aged 18 or over and under 23 and in full-time education or vocational training (although your administering authority can continue to treat the child as an eligible child notwithstanding a break in full-time education or vocational training), or
- be unable to engage in gainful employment because of physical or mental impairment and either:
  - has not reached the age of 23, or
  - the impairment is, in the opinion of an independent registered medical practitioner, likely to be permanent and the child was dependent on you at the date of your death because of that mental or physical impairment.

### Eligible cohabiting partner

An **eligible cohabiting partner** is a partner you are living with who, at the date of your death, has met all of the following conditions for a continuous period of at least 2 years:

- you and your cohabiting partner are, and have been, free to marry each other or enter into a **civil partnership** with each other, and

## Some Terms We Use

- you and your cohabiting partner have been living together as if you were a married couple, or ***civil partners***, and
- neither you or your cohabiting partner have been living with someone else as if you/they were a married couple or ***civil partners***, and
- either your cohabiting partner is, and has been, financially dependent on you or you are, and have been, 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.

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

- all of the above criteria apply at the date of your death, and
- your cohabiting partner satisfies Cheshire West and Chester Council that the above conditions had been met for a continuous period of at least 2 years immediately prior to your death.

You are not required to complete a form to nominate a cohabiting partner for entitlement to a cohabiting partner's pension. However, you can provide the Cheshire Pension Fund with your cohabiting partner's details. The Cheshire Pension Fund will require evidence upon your death to check that the conditions for a cohabiting partner's pension are met.

### Eligible Jobholder

An ***eligible jobholder*** is a worker who is aged at least 22 and under ***State Pension Age*** and who earns more than the annual amount of £10,000 (2018/19 figure).

### Final pay

This is usually the pay in respect of (i.e. due for) your final year of scheme membership on which you paid contributions, or one of the previous 2 years if this is higher, and includes your normal pay, contractual shift allowance, bonus, contractual overtime (but not non-contractual overtime), Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay and any other taxable benefit specified in your contract as being pensionable.

If you were part-time for all or part of the final year the whole-time pay that you would have received if you had worked whole-time is used and if your pay in your final year was reduced because of sickness or ***relevant child related leave***, ***final pay*** is the pay you would have received had you not been on sick leave or ***relevant child related leave***.

For more information on the calculation of ***final pay*** please see the section [If you Joined the LGPS Before 1 April 2014](#).

### 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, a coroner, civil servants engaged in probation provision, a Mayoral development corporation, a conservation board, a valuation tribunal, a passenger transport authority, the Environment Agency, and non-teaching employees of an Academy employer, an Education Action Forum, a sixth form college corporation 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 2018/19 is £116 per week. It is usually increased annually by Parliament.

### Normal Pension Age

**Normal Pension Age** is linked to your **State Pension Age** for benefits built up from April 2014 (but with a minimum of age 65) and is the age at which you can take the pension you have built up in full. If you choose to take your pension before your **Normal Pension Age** it will normally be reduced, as it's being paid earlier. If you take it later than your **Normal Pension Age** it's increased because it's being paid later.

You can use the Government's **State Pension Age** calculator ([www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)) to find out your **State Pension Age**.

Remember that your **State Pension Age** may change in the future and this would also change your **Normal Pension Age** in the LGPS for benefits built up from April 2014. Once you start drawing your pension any subsequent change to your **State Pension Age** will not affect your **Normal Pension Age** in the LGPS.

If you were paying into the LGPS before 1 April 2014 your final salary benefits retain their protected **Normal Pension Age** - which for most is age 65. However all pension benefits drawn on normal retirement must be taken at the same date i.e. you cannot separately draw your final salary benefits (built up before April 2014) at age 65 and your benefits in your **pension account** (built up from April 2014) at your **Normal Pension Age** (which for your benefits built up from April 2014 is linked to your **State Pension Age** but with a minimum of age 65). See the section **Your LGPS Retirement Benefits**.

### Occupational pension scheme

These schemes are also called company pension schemes. It's a scheme set up by an employer to provide pension or death benefits for its employees. An occupational pension can provide pension benefits on a money purchase, defined benefits, cash balance or hybrid arrangement basis. The two most common arrangements for occupational schemes are defined benefits (such as the LGPS) and money purchase. If you leave a job you'll normally have to stop building up pension savings in that employer's scheme. These benefits can be transferred to your pension in the LGPS. Any transfer into the LGPS would buy extra pension which is then added to your **pension account**, unless you joined the LGPS before 1 April 2014 and the relevant date used for the transfer is before 1 April 2014, in which case the transfer would buy pre 1 April 2014 membership in the final salary scheme, or the transfer is from a public service pension scheme and is transferred under the **Club transfer rules** in which case any part of the transfer that relates to final salary benefits in that scheme (usually membership up to 31 March 2015) would buy pre 1 April 2014 membership in the final salary scheme.



## Some Terms We Use

### Pension Account

Each **scheme year** the amount of pension you have built up during the year is worked out and this amount is added into your active **pension account**. Adjustments may be made to your account during the **scheme year** to take account of any transfer of pension rights into the account during the year, any additional pension you may have decided to purchase during the year or which is granted to you by your employer, any reduction due to a Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a **civil partnership**) and any reduction due to an Annual Allowance tax charge that you have asked the scheme to pay on your behalf. Your account is then revalued to take account of the cost of living. This adjustment is carried out in line with the Treasury Revaluation Order index which, currently, is the rate of the **Consumer Prices Index (CPI)**.

You will have a separate **pension account** for each employment. That **pension account** will hold the entire pension built-up for that employment.

In addition to an active member's **pension account** there are also:

- a deferred member's **pension account**;
- a deferred refund account;
- a retirement **pension account**;
- a flexible retirement **pension account**;
- a deferred pensioner member's account;
- a pension credit account; and
- a survivor member's account.

These accounts will be adjusted by any debits for any Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a **civil partnership**) and for any Annual Allowance tax charge that you have asked the scheme to pay on your behalf. These accounts are currently increased each April in line with the **Consumer Prices Index (CPI)**.

### Pensionable Pay

The pay on which you normally pay contributions is your normal salary or wages plus any shift allowance, bonuses, overtime (both contractual and non-contractual), Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any 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 award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, pay relating to loss of future pensionable payments or benefits, any pay paid by your employer if you go on **reserve forces service leave** nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

### Public service pension scheme

A **public service pension scheme** includes a pension scheme covering civil servants, the judiciary, the armed forces, any scheme in England, Wales or Scotland covering **local government** workers, or teachers, or health service workers, or fire and rescue

## Some Terms We Use

workers or members of the police forces; or membership of a new public body pension scheme.

### Relevant Child Related Leave

**Relevant child related leave** includes periods of Ordinary Maternity, Adoption or Shared Parental Leave (normally first 26 weeks), Paternity Leave and any periods of paid Additional Maternity or Adoption Leave (normally after week 26 weeks up week 39) or Shared Parental Leave.

### Reserve Forces Service Leave

This occurs when a Reservist is mobilised and called upon to take part in military operations. The period of mobilisation can range from three months or less and up to a maximum of 12 months. During a period of **reserve forces service leave** you will, if you elect to stay in the LGPS during that leave, continue to build up a pension based on the rate of **assumed pensionable pay** you would have received had you not been on **reserve forces service leave**.

### Scheme Year

The **scheme year** runs from 1 April to 31 March each year.

### SERPS (State Earnings Related Pension Scheme)

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically **contracted out** of **SERPS**, and most paid lower national insurance contributions as a result. **SERPS** was replaced by the **State Second Pension (S2P)** from 6 April 2002 which, in turn, was replaced by the single tier State Pension from 6 April 2016.

### State Pension Age

This is the earliest age you can receive the state basic pension. **State Pension Age** is currently age 65 for men. **State Pension Age** for women is currently being increased to be equalised with that for men and will reach 65 by December 2018.

### State Pension Age equalisation timetable for women

Date of Birth	New State Pension Age
Before 6 April 1950	60
6 April 1950 - 5 April 1951	In the range 60 - 61
6 April 1951 - 5 April 1952	In the range 61 - 62
6 April 1952 - 5 April 1953	In the range 62 - 63
6 April 1953 - 5 August 1953	In the range 63 - 64
6 August 1953 - 5 December 1953	In the range 64 - 65

The **State Pension Age** will then increase to 66 for both men and women from December 2018 to October 2020.

### Increase in State Pension Age from 65 to 66 for men and women

Date of Birth	New State Pension Age
6 December 1953 - 5 October 1954	In the range 65 - 66
After 5 October 1954	66

## Some Terms We Use

Under current legislation the State pension age is due to rise to 67 between 2026 and 2028 and to 68 between 2044 and 2046. However the government has [announced plans](#) to bring forward the rise to 68 to between 2037 and 2039.

To find out your **State Pension Age** please visit <https://www.gov.uk/calculate-state-pension>.

### State Second Pension (S2P)

The **State Second Pension** (formerly **SERPS**) was the additional state pension, payable to individuals from **State Pension Age** if they attained **State Pension Age** before 6 April 2016. Initially, S2P was an earnings-related pension but from April 2009 it began building up as a flat rate pension until 6 April 2016 when it was replaced with the new single tier State Pension.

The Government introduced a new single tier State Pension from 6 April 2016. For information about the new State Pension see [www.gov.uk/new-state-pension](http://www.gov.uk/new-state-pension)

### Vesting Period

The **vesting period** in the LGPS is 2 years. You will meet the 2 years **vesting period** if:

- you have been a member of the LGPS in England and Wales for 2 years, or
- you have brought a transfer of pension rights into the LGPS in England or Wales from a different **occupational pension scheme** or from a European pensions institution and the length of service you had in that scheme or institution was 2 or more years or, when added to the period of time you have been a member of the LGPS is, in aggregate, 2 or more years, or
- you have brought a transfer of pension rights into the LGPS in England or Wales from a pension scheme or arrangement where you were not allowed to receive a refund of contributions, or
- you have previously transferred pension rights out of the LGPS in England or Wales to a pension scheme abroad (i.e. to a qualifying recognised overseas pension scheme), or
- you already hold a deferred benefit or are receiving a pension from the LGPS in England or Wales (other than a survivor's pension or pension credit member's pension), or
- you paid National Insurance contributions whilst a member of the LGPS and cease to contribute to the LGPS in the tax year of attaining pension age,
- you cease to contribute to the LGPS at age 75, or
- you die in service.