LOCAL GOVERNMENT PENSION SCHEME (LGPS)

GUIDANCE ON YOUR RETIREMENT

1. INTRODUCTION

These notes are provided to answer some of the questions you may have regarding your pension benefits.

2. YOUR BENEFITS AT RETIREMENT

Several factors may need to be taken into account when determining your pension benefits.

If you have membership built up to 31 March 2009, you will receive a pension of 1/80th of your membership multiplied by your ***final pay*** as well as an automatic tax-free lump sum of 3 times your pension.

If you have membership built up between 1 April 2009 and 31 March 2015, you will receive a pension of 1/60th of your membership multiplied by your ***final pay***. There is no automatic lump sum for membership built up after 31 March 2009, but you do have the option, subject to limits, to exchange some of your pension for a tax-free lump sum.

From 1 April 2015 you will have accrued a CARE scheme pension. If you are in the main section of the pension scheme your ***Pension Account*** has built up at a rate of 1/49th of the amount of ***pensionable pay*** (and ***assumed pensionable pay***) you received in that ***scheme year*** (or half this rate of build up for any period you have elected to be in the 50/50 section of the scheme). 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. Again, there is no automatic lump sum for membership built up after 31 March 2015. However you do have the option, subject to limits, to exchange some of your ***Pension Account*** for a tax-free lump sum.

If you were a member of the scheme before 1 April 2015 there is an additional protection in place 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 2015. This protection is known as the **underpin.**

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), and
- you've not drawn any benefits in the LGPS before protected ***Normal Pension Age***, and
- you leave with an immediate entitlement to benefits.

The underpin will not apply to you if you elect to opt out of the scheme before your protected ***Normal Pension Age***.

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 2015.

If it isn’t, the difference will be added into your ***pension account*** when you draw your benefits.

What pensionable pay is used to work out the pension I build up after 31 March 2015?
The amount of pension added into your ***pension account*** at the end of the ***scheme year*** is worked out using your ***pensionable pay*** which is the amount of pay on which you pay your normal pension contributions.

Pay for Benefits Prior to 1st April 2015
Known as ***Final Pay***, the pay used to calculate your benefits for membership before 1st April 2015 is your final pensionable pay over the year to your date of retirement. The best of the last three year’s pensionable pay is used if this produces higher benefits. However, for your estimate, the pay used is your pensionable pay at the previous 31 March.

If you work part time, the pay used is the full time equivalent for your post.

If your employer requires you to retire due to permanent ill health, the pay used is that which you would have received had you not been off ill.

3. CERTIFICATE OF PROTECTION

If your employer has issued you with a ***Certificate of Protection*** because your pay was reduced, or increases to your pay were restricted for reasons beyond your control in the last 10 years before retiring, then your benefits for that employment can be based on the ***pensionable pay*** you would have received had the reduction or restriction not occurred.

4. CAN I EXCHANGE PART OF MY PENSION FOR A LUMP SUM

You can exchange part of your annual pension for a one off tax-free cash payment. You will receive £12 lump sum for each £1 of pension given up. You can take up to 25% of the capital value of your pension benefits as a lump sum. You must make your election before your benefits are paid and details of this option will be issued to you prior to your retirement.

You may wish to take independent financial advice before deciding whether to increase your lump sum. The Financial Services Authority can help you find a financial adviser. Call the FSA Consumer Helpline on 0845 6061234 or visit the FSA Consumer Help Website at www.moneymadeclear.fsa.gov.uk

If you elect to increase your lump sum, you cannot change your decision after payment has been made.

5. IN-HOUSE ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

If you have in-house ***Additional Voluntary Contributions*** (AVCs) we will contact you separately to advise all the options available to you.

Members who pay in-house AVCs may elect to take up to 100% of the accumulated fund in their AVC account as a tax free lump sum, subject to overall tax-free limits.

Members who started paying additional contributions before 1 June 2005 to an in-house AVC provider have a further option to convert the accumulated AVC fund into LGPS membership, **but must stop making AVCs before retirement**. It is therefore important that you contact the Pension Section at least 2 months before your date of retirement to enable us to give you all the details you will need to make your decision and allow time for the payments to cease.

6. RECYCLING OF LUMP SUM

If you intend to use some or all of your lump sum payment to fund additional pension savings with any other pension provider, special tax rules apply. This is known as "recycling". Details on recycling lump sum payments can be found on:
www.hmrc.gov.uk/manuals/rpsmmanual/rpsm12200035.htm

7. MEMBERSHIP AFTER STATE PENSION AGE

You can remain in the scheme up to two days before your 75th birthday. Pension benefits accrued after your ***State Pension Age*** (SPA) will be actuarially increased if you retire after SPA.

8. ITEMS REQUIRED BY THE PENSION TEAM

Before you retire, the pension team will provide you with the following forms to complete and return;

- Member declaration form – includes:
    - Your pension and lump sum option – to advise us if you elect to increase your lump sum
    - Member's pension benefit information – to enable us to assess your lifetime allowance (for tax purposes)
    - Recycling of lump sum – to advise us if you intend to fund additional pension savings
- Bank mandate – to advise of the account you wish your pension and lump sum paid into
- Reduction election form (if applicable) – to advise if you wish your reduced benefits paid immediately
- Birth certificate mandate – if your date of birth has not been verified we will require a photocopy of your birth certificate

9. RETIRING BEFORE STATE PENSION AGE

If you retire before you reach state pension age you may want to consider the impact on any state benefits payable. You can request an estimate using form BR19, which is available from your local Jobcentre Plus office, or you can visit the Pension Service website, www.thepensionservice.gov.uk which will give you more details

10. YOUR LIFETIME ALLOWANCE

We will provide you with details of the percentage value of your pension benefits from the Local Government Pension Scheme against the Lifetime Allowance at your date of retirement.

If you have any other pension benefits not already in payment you will need to give your other pension scheme provider(s) this information. You will not, however, need to provide this information for any State or dependents' benefits.

11. INTEREST ON YOUR LUMP SUM

If your lump sum is not paid within one month of your retirement interest is payable. It is your responsibility to declare this interest on your Tax Return.

12. P45

Your employer should give the Pension Payroll Section your P45. The Pension Payroll Section will then electronically send your P45 information to Centre 1.

13. INCOME TAX

Providing the value of all your benefits does not exceed the Lifetime Allowance, as advised by Her Majesty's Revenue & Customs (HMRC), your Lump Sum payment is tax free. However, if you have not completed and returned the Lifetime Allowance declaration form that was issued to you before you retired, Fife Council will assume that your Lifetime Allowance has been exceeded. Your benefits will then be treated as an unauthorised payment and an excess tax charge will be applied.

14. EFFECT OF THE STATE PENSION SCHEME

When you reach State Pension Age, HM Revenue & Customs (HMRC) will advise you of the amount of Guaranteed Minimum Pension (GMP) to which you are entitled. Your GMP affects the way your pension is increased.

Your GMP is the minimum pension payable from the Local Government Pension Scheme (LGPS). It is not an additional pension but is equivalent to the State Second Pension (S2P) which would have been paid if you had not joined the LGPS.

If you joined the LGPS before 6 April 1997 your pension is normally made up of two elements: GMP and excess GMP. If you joined after 5 April 1997 you will not have a GMP unless you transferred one into the LGPS from another pension scheme.

Before you reach State Pension Age, all pension increases are calculated and paid by the LGPS. After this, however, if you are entitled to a GMP, the responsibility for calculating and paying increases will **usually** be split between the LGPS and the Pension Service as follows:

Type of Pension	**Who pays the annual increase**
GMP earned up to 5.4.88	The Pension Service (with your State Pension)
GMP earned from 6.4.88	LGPS pays increases up to 3% (with LGPS pension) The Pension Service pay increases in excess of 3% (with State Pension)
Excess GMP pension	LGPS (with LGPS pension)

Note that GMPs were abolished from 6 April 1997, but GMPs built-up to that date will continue to attract increases as above.

To find out your State Pension Age please visit https://www.gov.uk/calculate-state-pension

15. GOING BACK TO WORK

Your pension is payable for your lifetime but if you start working for any employer who is eligible to participate in the Local Government Pension Scheme any compensatory added years awarded, on redundancy or business efficiency, could be affected now and in the future.

If you have been awarded compensatory added years and take up this type of employment you must inform **Fife Council Pension Section** so that the effect on your pension can be assessed. You must also inform your new employer that you are in receipt of a Local Government Pension.

Re-employment and Loss of Protected Pension Age Since 2010, the earliest age members are normally able to access LGPS benefits is 55.

However, if you are aged 50 or more and are made redundant or are retiring on the grounds of efficiency and have been paying into the LGPS continuously since 5 April 2006, you are still entitled to access your LGPS pension benefits before age 55. In such circumstances, you will have an HMRC ‘protected pension age’.

You should note that there are HMRC restrictions on re-employment that you may undertake following retirement before age 55 that could result in the loss of your protected pension age.

If on retirement

- You are aged 50 and over but below age 55
- You are re-employed within one month of retirement by an (non-admitted body) employer in Scotland offering membership of the LGPS and you are still under 55 at the date of re-employment, or
- You are re-employed within one month of retirement by an admitted body in Scotland offering membership of the LGPS and you take up the offer of membership, and are still under 55 at the date of re-employment, or
- You are re-employed within six months of retirement by an admitted body in Scotland offering membership of the LGPS and do not not take up the offer of membership, but you are still under 55 at the date of re-employment and the new employment is not materially different from their former job.

You will be deemed by HMRC to have lost your protected pension age and the pension benefits paid to you will be considered as unauthorised payments subject to special tax charges.

SOME TERMS WE USE

Normal Pension Age

Normal Pension Age is linked to your State Pension Age for benefits built up from April 2015 (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) to find out your State Pension Age. Please note that this calculator does not include proposed changes to 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 2015. 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 2015 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 2015) at age 65 and your benefits built up in your pension account (built up from April 2015) at your Normal Pension Age (which for your benefits built up from April 2015 is linked to your State Pension Age but with a minimum of age 65).

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 at the end of each scheme year 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 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, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay and any other taxable benefit specified in your contract as being pensionable. For part time members, your pensionable pay will be based on your actual earnings (including any additional hours up to your post's full time hours).

You do not pay contributions on overtime above the hours of the full time hours of your post (unless it is contractual overtime), 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.

Relevant Child Related Leave
Relevant child related leave includes periods of Ordinary Maternity, Adoption, Paternity or Shared Parental Leave (normally first 26 weeks) and any periods of paid Additional Maternity, Adoption or Paternity 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.

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 November 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 link rises in the State Pension Age above age 67 to increases in life expectancy. To find out your State Pension Age please visit https://www.gov.uk/calculate-state-pension