YOUR PENSION

IN THIS LEAFLET WE LOOK AT HOW YOUR PENSION IS WORKED OUT AND WHEN YOU CAN TAKE 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 towards the back of this leaflet

How is your pension worked out?

Your LGPS benefits are made up of:

- An **annual pension** that, after leaving, is reviewed 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 take your pension benefits.

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

Every year, you will build up a pension at a rate of 1/49th 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, 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***. 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.*** This way 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 1/49th 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 (1/98th 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.

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.

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 £7,026 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 is 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 deduced 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.

How is my pension worked out - an example

Let's look at the build-up in a member's ***pension account*** for 6 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, 31 March 2018 and 31 March 2019 is 1.2%, -0.1%, 1%, 3% and 2.4% respectively, and assume the following year it to be 2%.

Scheme Year	Opening Balance	Pension Build up in Scheme Year Pay/ Build up rate = Pension	Total Account 31 March	Cost of Living Revaluation Adjustment	Updated Total Account
1 2014/15	£0.00	£24,500/ 49 = **£500**	£500	1.2% = £6	£500 + £6 = **£506**
2 2015/16	£506	£24,745/ 49 = **£505**	£1,011.00	-0.1% = -£1.01	£1,011.00 + -£1.01 = **£1,009.99**
3 2016/17	£1,009.99	£24,992.45/ 49 = **£510.05**	£1,520.04	1% = £15.20	£1,520.04 + £15.20 = **£1,535.24**
4 2017/18	£1,535.24	£25,242.37/ 49 = **£515.15**	£2,050.39	3% = £61.51	£2,050.39 + £61.51 = **£2,111.90**
5 2018/19	£2,111.90	£25,494.79/49 = **£520.30**	£2,632.20	2.4%=£63.17	£2,632.20 + £63.17 = **£2,695.37**
6 2019/20	£2695.37	£25,749.74/49 = **£525.50**	£3,220.84	2% = £64.42	£3,220.84 + £64.42 = **£3,285.29**

Let's assume that the member had a time contributing in the 50/50 section of the scheme and for six 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*** to show the different build up rate for half the year during 2015/16 would look as follows:

Scheme Year	Opening Balance	Pension Build up in Scheme Year Pay/ Build up rate = Pension	Total Account 31 March	Cost of Living Revaluation Adjustment	Updated Total Account
1 2014/15	£0.00	£24,500/ 49 = **£500**	£500	1.2% = £6	£500 + £6 = **£506**
2 2015/16	£506	£12,372.50 / 98 = **£126.25** £12,372.50/ 49 = **£252.50**	£884.75	-0.1%= -£0.88	£884.75 + -£0.88 = **£883.87**
3 2016/17	£883.87	£24,992.45/ 49 = **£510.05**	£1,393.92	1% = £13.94	£1,393.92 + £13.94 = **£1,407.86**
4 2017/18	£1,407.86	£25,242.37/ 49 = **£515.15**	£1,923.01	3% = £57.69	£1,923.01 + £57.69 = **£1,980.70**

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[1]. 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 1/60th of your ***final pay***.

For each year of LGPS membership built up before 1 April 2008 you receive a pension based on 1/80th of your ***final pay***. You will also receive an automatic lump sum. Please read the leaflet **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 accrue pension at the rate of 1/60th of your ***final pay*** for each year of membership. Please read the leaflet **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 must 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 you contact Pensions Services 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***.

[1] Provided the lump sum does not exceed £263,750 (2019/20 figure), or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

Getting a small pension paid as a lump sum

Pensions Services may be able to pay a small pension as a single 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 single one-of lump sum, all other benefits from the LGPS would have to cease, so **Pensions Services** 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.

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

When you take 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 leaflet **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 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 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 leaflet **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 obtains 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 draw 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 dependents' 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[2] but you can only take it all as a lump sum if you draw 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 leaflet **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 which provides

[2] Provided the lump sum does not exceed £263,750 (2019/20 figure), or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

flexible benefits, 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

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.
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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 draw 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 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 take your pension from the LGPS at any time from age 55 to 75, provided you have met the two 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 is increased because it's being paid later. You must draw your benefits in the LGPS before your 75th 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 ***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 two years or ***vesting period*** in the scheme.
You must ensure Pension Services has your written election to take a pension early, that is on your own choice before your ***state pension age***. The notice needs to be with Pension Services at least three months ahead of your expected last day of service, for the pension to be able to follow on immediately.

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 Pension Age*** it will normally be reduced, as it's being paid earlier. If you take it later than your ***Normal Pension Age*** it is 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 leaflet **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 leaflet **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 take your pension from age 55. You do not need your employer's consent to draw your pension before your ***Normal Pension Age.***

> ***<u>However, remember Pension Services must receive your election at least three months' ahead of your intended retirement date</u> to ensure that pension payments follow on after leaving employment***

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 leaflet **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. https://www.lgpsmember.org/more/reductions.php

As a guide, the percentage reductions, (effective from April 2019) 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	% reduction to annual pension
0	0
1	5.1
2	9.9
3	14.3
4	18.4
5	22.2
6	25.7
7	29.0
8	32.1
9	35.0
10	37.7
11	41.6
12	44.0
13	46.3

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 on 30 September 2006, some or all 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 leaflet **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***.

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 two 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 leaflet **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 must 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 meet the two 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 because 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 three 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 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 three 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 three 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 leaflet **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

- 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.

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 **Pensions Services, but needs your employer's approval**

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 leaflet **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.

More about your LGPS retirement benefits

Are there 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 leaflet 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.

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.yourpension.gov.uk

State Pension Age for women is equalised with that for men and reached 65 in December 2018.

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.

Further information, security and disclaimer

The information in this leaflet 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. This leaflet 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 leaflet 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; nor does it cover rights that apply to a limited number of employees eg those whose total pension benefits exceed the lifetime allowance (£1,055,000 million in 2019/20), those whose pension benefits increase in any tax year by more than the standard annual allowance (£40,000 in 2019/20) or for high earners, the tapered annual allowance, those to whom protected rights apply, those whose rights are subject to a pension sharing order following divorce or dissolution of a civil partnership. In the event of any

dispute over your pension benefits, the appropriate legislation will prevail as this leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

The booklet, as the combination of all the leaflets, 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 and are described further at the end of the leaflet.

As the Administering Authority of the Fund we hold securely, certain information about you ("personal data"), which we need to administer the Fund. The information is provided by yourself and your employer. If you believe the information we hold is incorrect contact Pension Services. You will find more details, and the full privacy notice on www.oxfordshire.gov.uk/cms/content/administration-and-performance

You are welcome to contact Pension Services with any questions about how we use and or share your information, find out more about your rights or to see what information we hold.

The national website for members of the LGPS is www.lgpsmember.org

For more information or if you have a problem or question about your LGPS benefits, please contact

General enquiries

Pension Services
Oxfordshire Pension Fund
4640 Kingsgate
Oxford Business Park South
Oxford
OX4 2SU

Telephone: 0330 0241 359

E-mail: pension.services@oxfordshire.gov.uk

We welcome personal visits, but please make an appointment first.

Website: www.oxfordshire.gov.uk/pensions

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 leaflet HELP WITH PENSION PROBLEMS.

Your on-line secure pension record
You can sign up to your pension record ***My Oxfordshire Pension*** at https://oxfordshire.pensiondetails.co.uk
You will be able to keep your address details current and find scheme notices and documents on this record.
We will be using ***My Oxfordshire Pension*** as the primary communication method with our scheme members unless we receive a written notice that you are unable to access the internet.

Some terms we have used in this leaflet

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.

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 pay 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 Oxfordshire 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 three 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 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 received in the 12 weeks (or three 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.

Once the average pay has been determined the resulting figure is then grossed up to an annual figure and then divided by the 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 due to 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 three 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 or due to a trade dispute is ignored.

If the pay you received in the 12 weeks (or three months if monthly paid) before you died in service or before you left employment due to ill-health retirement is 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. If 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.

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.

Discretion
This is the power given by the LGPS to enable your employer or Oxfordshire Pension Fund to choose how they will apply the scheme in respect of certain provisions. Under the LGPS your employer or Oxfordshire Pension Fund 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 your administering authority 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 the following conditions for a continuous period of at least two 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
- you and your cohabiting partner have been living together as if you were husband and wife, or ***civil partners***, and
- neither you or your cohabiting partner have been living with someone else as if you/they were husband and wife 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 Oxfordshire County Council Pension Fund that the above conditions had been met for a continuous period of at least two 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 Pension Services with your cohabiting partner's details. Your Pension Fund will require evidence upon your death to check that the conditions for a cohabiting partner's pension are met.

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 leaflet **IF YOU JOINED THE LGPS BEFORE 1 APRIL 2014**.

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) 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 to receive 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**.

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 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 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. The ***State Pension Age*** s increasing 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. To find out your ***State Pension Age*** please visit https://www.gov.uk/calculate-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.