



West Midlands Pension Fund

A GUIDE TO THE **LOCAL GOVERNMENT PENSION SCHEME FOR ELIGIBLE COUNCILLORS IN ENGLAND AND WALES**

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Introduction

The information in this booklet is based on the Local Government Pension Scheme Regulations 1997 and other relevant legislation. The booklet is for councillors in England or Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication in April 2019. The Government may make changes to overriding legislation and, after consultation with interested parties, may make changes in the future to the LGPS.

Please note that the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 amended access to the LGPS for councillors in England. **From 1 April 2014, councillors in England are unable to join the LGPS.** Those councillor members in England who were in the Scheme on 31 March 2014 could remain in the Scheme until the end of the term of office they were serving on 31 March 2014. Councillors in England are not able to rejoin the LGPS in any subsequent term of office.

Councillors in England should read the information in the note '[LGPS Councillors Pensions \(England\) Update](#)' for the position from April 2014.

Councillors in Wales continue to have access to the LGPS from 1 April 2014.

The booklet is for general use and cannot cover every personal circumstance. 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 offered by the Local Government Pension Scheme. It describes how the scheme works, what it costs and the financial protection that it offers to you and your family.

Where pension terms are used, they appear in **bold** type. Definitions can be found in the '[Pension Terms Defined](#)' section at the end of the booklet.

The Choice

Your Pensions Choice

Taking your pension is a goal to look forward to. However, if your pension is to meet your expectations, you will 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 by an occupational pension scheme such as the Local Government Pension Scheme. These are described briefly below.

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 and when you retire the investments are cashed in. The sum of money realised is used to buy retirement benefits from the insurance market and from April 2015 the money realised can 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.

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.

Highlights of the LGPS are:

- a tax-free lump-sum when you retire
- a pension based on your **career average pay**
- the ability to increase your pension by paying additional voluntary contributions
- voluntary retirement from age 55
- retirement from age 50 with your council's consent
- an ill-health pension from any age

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- a death-in-service lump-sum of two times' **career average pay**
 - a spouse's or **civil partner's** pension
 - children's pensions
 - the index-linking of benefits to ensure that they keep pace with inflation.
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In addition, as a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your allowances.

The Guide

Joining the Local Government Pension Scheme (LGPS)

Please note that the position for councillors in England changed from 1 April 2014.

Councillors in England should read the information in the note ['LGPS Councillors Pensions \(England\) Update'](#) for the position from April 2014.

Who can join?

From 1 April 2014 the LGPS is **not available** to councillors and elected mayors of an English county council, district council or a London borough council.

The LGPS is available to all councillors of a **Welsh** county council or county borough council who are offered membership of the scheme under the council's scheme of allowances and who are under age 75.

Those Welsh councillors who are offered membership are termed [eligible councillors](#). If you have been offered membership of the scheme it will be for you to decide whether or not to opt to join. If you make an election to do so you will become a member of the LGPS from the beginning of the first pay period following the receipt of your option (but see the special rules for previous optants out in the [Opting Out of the LGPS](#) section).

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

To secure your entitlement to scheme benefits it is important that you complete and return the joining form if you wish to opt into membership of the scheme. On receipt of your form, relevant records will be set up and an official notification of your membership of the scheme will be sent to you. In addition, you should check your allowance payments to ensure that pension contributions are being deducted.

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, continue to make your own contributions to the personal pension or stakeholder pension scheme from your earnings as a councillor.

There are HM Revenue and Customs controls on the total amount of contributions you can make into all pension arrangements and receive tax relief. You can, if you wish, pay up to 100% of your 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.

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.

I'm already receiving an LGPS pension – will it be affected if I join again?

If you become a councillor you must tell the LGPS administering authority that pays your pension about your new position, regardless of whether you join the scheme in your new position or not. They will then check to see whether the pension they are paying should be reduced.

Contributions

What do I pay?

Your contribution is currently 6% of the **pay** you receive.

Your contributions are very secure. As the LGPS is set up by statute, payment of benefits to its members is guaranteed by law.

What does the council pay?

The council 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 the council should contribute to the scheme. The amount will vary, but the present underlying assumption is that you contribute approximately one third of the scheme's costs and the council contributes the remainder.

Do I receive tax relief on my contributions?

The scheme is fully approved by HM Revenue and Customs, which means that, if you earn enough to pay tax, you will receive tax relief on your contributions. To achieve this, your contributions are deducted from your allowances 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 increases 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**.

Can I make extra contributions to increase my benefits?

Members can increase their benefits by making additional voluntary contributions (AVCs). Additionally, you may pay contributions into a personal pension plan or a stakeholder pension scheme. These options are explained in more detail in the [Increasing Your Benefits](#) section.

Is there a limit to how much I can contribute?

There is no limit on the amount of contributions you can pay (although there is a limit on the amount you can pay into the scheme's AVC arrangement – see the [Increasing Your Benefits](#) section). 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).

There are also HM Revenue and Customs 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.

Can I transfer pension rights into my current LGPS fund from a previous pension scheme?

The rules of the scheme do not permit you to transfer pension rights into the LGPS from another pension scheme or, indeed, from another LGPS **administering authority**.

Points to note

- If you have a deferred benefit from a previous period of councillor membership in the same LGPS **administering authority** you may opt to aggregate the earlier councillor membership with the current period of councillor membership but only if you opt to do so within 12 months of rejoining the scheme or such longer period as your council allows. This is a council **discretion**; you can ask your council what their policy is on this.
- Pension rights built up as an employee in England or Wales cannot be joined with rights built up as a councillor or mayor in England or Wales and vice versa.

Retirement Benefits

Please note that the position for councillors in England changed from 1 April 2014.

Councillors in England should read the information in the note '[LGPS Councillors Pensions \(England\) Update](#)' for the position from April 2014.

When can I retire?

You can retire and receive your LGPS benefits in full once you have attained age 65. The scheme also makes provisions for the early payment of your LGPS benefits and these are detailed in the sections on [Ill Health](#) and [Early Retirement](#).

In addition to your LGPS benefits, you may also qualify for a state retirement pension paid by the government from [state pension age](#).

A 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 ten 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.gov.uk/yourstatepension

What are my retirement benefits?

When you retire, you will receive a pension and a tax-free lump sum from the LGPS. At **state pension age** you may also receive a state retirement pension if you have paid sufficient national insurance contributions during your working life.

How much will my pension be?

Your LGPS pension is based on your **total membership** and your **career average pay**. The example below shows how your pension is calculated by dividing your **career average pay** into 80ths and multiplying this figure by your **total membership** to give you your annual pension.

How much will my lump-sum be?

The lump sum automatically paid on retirement is three times your annual pension and is tax-free. Like your pension, it is based on your **career average pay** and your **total membership**. The calculation for the lump sum is 3/80ths of your **career average pay** for every year of **total membership**. When you take your benefits you will be able to exchange some of your pension to receive a bigger tax-free lump sum. Further information on giving up some of your pension to increase your lump sum is provided below.

Example pension and lump sum calculation

On retirement at age 65, a scheme member has:

10 years and 204 days **total membership** and **career average pay** of £16,200.

The annual pension is:

$1/80 \times £16,200 \times 10 \text{ years plus } 204/365 \text{ days} = £2,138.18$

The tax-free lump sum automatically paid is:

$3/80 \times £16,200 \times 10 \text{ years plus } 204/365 \text{ days} = £6,414.53$

Can I give up some of my pension to increase my lump-sum?

You can exchange some of your pension for a bigger tax-free lump sum on retirement. You will be able to take up to a maximum of 25% of the capital value of your pension benefits as a tax-free lump sum providing the total lump sum does not exceed 25% of the lifetime allowance, which for the year 2019/20 is £263,750 (£1,055,000 x 25%).

However, if you have previously taken payment of ('crystallised') pension benefits you have already used up some of your lifetime allowance, therefore the maximum tax-free cash you can take is the lower of 25% of the capital value of your pension benefits or 25% of your remaining lifetime allowance.

In the example above, the lump sum automatically paid on retirement roughly equates to 15% of the capital value.

Any amount you take as a lump sum above the automatic lump sum would be achieved by exchanging part of your annual pension for a one-off tax-free cash payment. For each £1 of annual pension given up you would receive £12 lump sum.

An election to take extra 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 that you contact your **administering authority** well in advance of your intended retirement date so they can provide you with more details.

Your pension will be reduced in accordance with any election you make to receive extra lump sum. Any subsequent spouse's, **civil partner's** and/or children's long-term pensions will not be affected if you decide to exchange part of your annual pension for extra lump sum.

How will my pension be paid?

Monthly pension payments will be made direct into your bank or building society account. Similar arrangements can also be made to pay your pension into your account should you move abroad. Further information regarding payment of pensions will be provided on retirement.

Will my pension increase?

After age 55, members' pensions in payment will be increased each year in line with the appropriate cost of living index (currently, the consumer price index - CPI). If you retire before age 55, the accumulated effect of inflation since you retired will be added to your pension when you reach age 55 (but see the [Ill-Health Retirement](#) section concerning increases to ill-health pensions).

General points to note on retirement benefits

- If your pension benefits are subject to a pension sharing order issued by the court following a 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 (see the [Pensions and Divorce](#) section for further details).

- There are HM Revenue and Customs controls on the pension savings you can have before you become subject to a tax charge when you take them (over and above any tax due under the PAYE system on a pension in payment). These are known as the **lifetime allowance** and the **annual allowance**.
- Under HM Revenue and Custom rules, if the LGPS makes an unauthorised payment or if you pay some or all of your LGPS lump sum back into a pension arrangement, there will be a tax charge.
- If, after retiring, you return to employment or office within local government or employment with another organisation that participates in the LGPS, your pension may be reduced or suspended in accordance with the policy adopted by your **administering authority**. Under the LGPS, this is an **administering authority discretion** and this policy must be included in a **policy statement**. Further details will be provided on request.

Ill-Health Retirement

What happens if I have to retire early due to ill health?

If you have at least three months' **total membership** and an independent registered medical practitioner approved by your **administering authority** certifies that you have become permanently unable (until age 65) to perform the duties of your office efficiently because of ill health or infirmity of mind or body, you will receive your pension and lump sum immediately. The medical practitioner must be qualified in occupational health medicine and must not have previously been involved in your case.

How is an ill-health pension and lump sum calculated?

Ill-health pensions and lump sums are calculated in the same way as detailed in the section on [Retirement Benefits](#), except that the **total membership** used in the calculation will be increased if your **total membership** is five years or more. This is to reflect that you are having to retire early. The amount by which it will be increased is shown in the table below.

| Total membership | Total membership after increase awarded |
|--------------------------|---|
| Less than 5 years | Actual total membership only |
| Between 5 and 10 years | Total membership doubled |
| Between 10 and 13½ years | Total membership increased to 20 years |
| Over 13½ years | Total membership increased by 6⅔ years |

Your increased membership, however, must not exceed the **total membership** you would have accrued had you continued in service until age 65.

What if I do not qualify for an ill-health pension and lump sum?

If you have less than three months' **total membership** you will receive a refund of your contributions.

Points to note on ill-health retirement

- Your pension benefits will not be increased if you have previously been awarded an ill-health pension under the scheme.
- When, at the date of retirement, the **administering authority** is satisfied that there is a life expectancy of less than a year, the **administering authority** may commute the pension into a lump sum of five times the annual amount of pension given up. No **annual allowance** tax charge will apply to such a lump sum.
- Ill-health pensions are increased each year in line with the appropriate cost of living index regardless of age.
- You are exempt from the **annual allowance** if 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 **state pension age**.
- See also [General points to note on retirement benefits](#).

Early Retirement

Please note that the position for councillors in England changed from 1 April 2014.

Councillors in England should read the information in the note '[LGPS Councillors Pensions \(England\) Update](#)' for the position from April 2014.

Can I retire early?

If you have at least three months **total membership** you can retire from office and receive payment of your benefits at any time from age 55 onwards.

If you are aged 50 to 54 you may be able to retire from office and receive payment of your benefits immediately but payment of benefits before age 55 is only possible with your council's consent. This is a council **discretion** and under the LGPS your council's policy must be included in their **policy statement**.

Please note, benefits paid before the age of 55 would be unauthorised under HM Revenue and Customs tax rules and would be subject to significant tax charges.

Will my pension and lump-sum be reduced if I retire early?

If you joined the LGPS after 30 September 2006, retire and elect to receive benefits before age 65 your pension and lump sum, initially calculated as detailed in the section on [Retirement Benefits](#), will be reduced to take account of being paid for longer. How much your benefits are reduced by depends on how early you take them.

The reduction is calculated in accordance with guidance issued by the Government Actuary from time to time. The reduction is based on the length of time (in years and days) that you retire early – ie, the period between the date your benefits are paid and age 65. The earlier you retire, the greater the reduction.

As a guide, the percentage reductions, issued in January 2019, for retirements up to ten years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

| Years early | Pension reduction % | Lump sum reduction % |
|-------------|---------------------|----------------------|
| 1 | 5.1% | 2.3% |
| 2 | 9.9% | 4.6% |
| 3 | 14.3% | 6.9% |
| 4 | 18.4% | 9.1% |
| 5 | 22.2% | 11.2% |
| 6 | 25.7% | 13.3% |
| 7 | 29.0% | 15.3% |
| 8 | 32.1% | 17.3% |
| 9 | 35.0% | 19.2% |
| 10 | 37.7% | 21.1% |

If you were contributing to the scheme on 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 **protected member**.

The only occasion where this protection does not automatically apply is if you choose to voluntarily take your pension on or after age 55 and before age 60. Your council can choose to allow the protection to apply - this is a **discretion** and you can ask your council what their policy is on this.

Your council can agree not to make any reduction on compassionate grounds. This is a council **discretion**; you can ask your council what their policy is on this.

If you voluntarily retire before age 65 you do not have to receive immediate payment of your benefits and can defer them within the LGPS for payment later as detailed in the [Ceasing to be a Councillor Before Retirement](#) section.

Points to note on early retirement

- If your council gives their consent to pay immediate early retirement benefits before age 55 this may result in a tax charge on your benefits. This would be in addition to the normal PAYE tax on your monthly pension. Payment of benefits on or after age 55 will not result in this additional tax charge.
- If your council gives consent to immediate early retirement benefits on or after age 50 and before age 55 your pension will be paid at a flat rate until age 55. At age 55 your pension will be increased by the accumulated effect of inflation since you retired and then increased each year after age 55 in line with the appropriate cost of living index (currently the consumer price index - CPI).
- See also [General points to note on retirement benefits](#).

Late Retirement

What if I carry on working after age 65?

If you carry on in office as an [eligible councillor](#) after age 65 you will continue to pay into the scheme, building up further benefits. You can receive your pension when you retire, or when you reach the eve of your 75th birthday, whichever occurs first.

If you take your pension after age 65 the pension you have built up will be increased to reflect the fact that it will be paid for a shorter time.

Your pension has to be paid before your 75th birthday.

See also [General points to note on retirement benefits](#).

Protection for Your Family

What benefits will be paid if I die in service?

If you die in service as a member of the LGPS, subject to the qualifying conditions detailed, the benefits shown below are payable.

- **A lump sum death grant**

A lump sum death grant of two times your **career average pay** is payable no matter how long you have been a member of the LGPS, provided you are under age 75 at your date of death.

- **A spouse's or civil partner's pension**

A short-term pension, at an annual rate equal to your **career average pay**, is paid to your spouse (either from a same or opposite sex marriage) or **civil partner** for three months immediately following your death, no matter how long you have been a member of the LGPS. If there are eligible children (any of whom are in the care of your spouse or **civil partner**) this pension is paid for six months.

If you die in service having built up at least three months' **total membership** then the LGPS will also pay a long-term pension to your spouse (either from a same or opposite sex marriage) or **civil partner** commencing when the short-term pension ends. The long-term pension is generally half the pension you would have received if you had retired early due to ill health on the date of death.

- **Pensions for eligible children**

Children's pensions are payable for so long as eligible children remain eligible following your death, no matter how long you have been a member of the LGPS. 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.

An eligible child must:

- be under 18, or
- be aged 18 or over and under 23, and be 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:
 - the child 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.

A long-term pension is payable at the rate of one quarter of your notional pension entitlement if there is one eligible child or at the rate of one-half if there are two or more eligible children. If no spouse's or **civil partner's** long-term pension is payable, the pension is payable at the rate of one-third of your notional pension entitlement where there is one eligible child and at the rate of two-thirds where there is more than one eligible child.

The pension may be reduced if a child is receiving pay over and above a set level while in full-time training for a trade, profession or vocation.

Your notional pension entitlement is calculated by reference to the lesser of the **total membership** you would otherwise have accrued by age 65, or 10 years. If at the date of death you have already built up five or more years' **total membership**, and you had not previously retired from the LGPS on health grounds, the notional amount will, if higher, be calculated by reference to the **total membership** you would have had if you had retired due to ill health.

Normally, payment of a child's long-term pension will commence when the spouse's or **civil partner's** short-term pension ceases. If no spouse's or **civil partner's** short-term pension is payable, a child's short-term pension, equal to the amount that would have been paid to a spouse or **civil partner**, is paid for six months. If the child or children are not in the care of the surviving spouse or **civil partner**, a child's short-term pension is paid for three months. In both cases, commencement of the child's long-term pension is normally deferred until the short-term pension ceases.

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, next of kin or person dealing with your estate must immediately inform the Fund of the **administering authority** whose address is given at the beginning of this guide of your date of death as otherwise an overpayment could occur.

The following benefits may then be payable:

- **A lump sum death grant**

A lump sum death grant will be payable if death occurs in the first five years on pension and you are under age 75 at the date of death. The sum payable will be five times your annual pension reduced by the pension already paid to you up to the date of death.

- **A spouse's or civil partner's pension**

A spouse (either from a same or opposite sex marriage) or **civil partner** will receive a short-term pension for the three months following your death, or six months if one or more eligible dependent children are in the spouse's or **civil partner's** care. This will be equal to the pension you were receiving or would have received but for a reduction due to early retirement or had it not been paid as a lump sum due to exceptional ill health.

After that the spouse or **civil partner** will receive a long-term pension generally equal to half the pension you were receiving or would have received but for a reduction due to early retirement or as a result of exchanging pension for an increased lump sum, or had it not been paid as a lump sum due to exceptional ill health.

If you married after retirement and you retired on the grounds of permanent ill health, the spouse's pension will only be based on half of your basic pension, ie excluding any enhancement to your pension on account of ill health retirement (see the [table](#) in the Ill health retirement section). If you entered into a **civil partnership** after retirement, the **civil partner's** pension will be half your pension.

- **Pensions for eligible children**

Children's pensions are payable for so long as eligible children remain eligible following your death (see full details [earlier in this section](#)). The pension is not calculated, however, against a notional entitlement. It is calculated instead against the pension you were receiving at the date of your death or would have received but for a reduction due to early retirement, or as a result of an exchange of pension for an increased lump sum, or had it not been paid as a lump sum due to exceptional ill health.

If your pension was originally calculated on a **total membership** of less than the shorter of ten years or the amount you could have accrued had you continued working to age 65, this amount is used to increase your pension for the purpose of calculating the children's pension only.

Points to note

- Your **administering authority** has the **discretion** to pay the lump sum death grant to your nominee or personal representatives or to any person who appears, at any time, to have been your relative or dependant. The LGPS 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 by the second anniversary of your death, it must be paid to your personal representatives, ie to your estate. If you have not already made your wishes known, or you wish to change a previous expression of wish, a form is available from your **administering authority**.

- 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 (not including any spouse's, **civil partner's** or dependants' pensions) 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.
- Spouses', **civil partners'** and children's pensions are increased each year in line with the appropriate cost of living index (currently the consumer price index - CPI) regardless of age.
- Spouses' and **civil partners'** pensions are payable for life even if your spouse or **civil partner** remarries, enters into a new **civil partnership** or cohabits.

- If your pension benefits are subject to a pension sharing order issued by the court following a 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 or enter into a new **civil partnership**, any spouse's pension or **civil partner's** pension payable following your death will also be reduced (see the [Pensions on Divorce](#) section for further details). Benefits payable to eligible children will not be reduced because of a pension share.

Increasing Your Benefits

How can I increase my benefits?

To increase the value of the benefits that you and your dependants receive, you may:

- **make an additional voluntary contributions arranged through the LGPS (in-house AVCs).**

All local government **administering authorities** have an AVC arrangement in which you can invest money, deducted directly from your allowances, through an AVC provider (often an insurance company or building society).

If as an eligible councillor 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 decide how much you can afford to pay. You can pay up to 50% of your **pay** into an in-house AVC in each office you hold where you pay into the LGPS.

AVCs are deducted from your allowances, 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 – but see [Points to note](#) at the end of this section. Deductions start from the next available pay day after your election has been accepted and you may vary or cease payment at any time whilst you are paying into the LGPS.

At retirement any of your AVC fund which you do not take as a lump sum is used to buy you an annuity. 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 you take your LGPS benefits or you may be able to defer buying an annuity until any time up to the eve of your 75th birthday. If you carry on paying into the LGPS after age 65 you cannot buy an annuity until you retire, or you reach the eve of your 75th birthday if this is earlier.

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 can 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.

If you take your AVCs at the same time as your LGPS pension, you may be able to take some or all of your AVCs as a tax-free lump sum providing, when added to the automatic LGPS lump sum as detailed in the [Retirement Benefits](#) section, the total lump sum does not exceed 25% of the capital value of your LGPS benefits, nor does it exceed 25% of the lifetime allowance, which for the year 2019/20 is £263,750 (£1,055,000 x 25%). However, if you have previously taken payment of ('crystallised') pension benefits you will have already used up some of your lifetime allowance, therefore the maximum tax-free cash you can take is the lower of 25% of the capital value of your pension benefits or 25% of your remaining lifetime allowance.

If you retire and take your AVCs later, you can then normally only have up to 25% of your AVC fund as a lump sum.

Transferring your AVC fund to another scheme

You can transfer your AVC independently of your main scheme benefits and, provided you have stopped paying AVCs, you can transfer your AVC fund even if you continue to contribute to the LGPS.

You can choose to transfer your AVC fund to a scheme that allows you take advantage of the flexibilities introduced from April 2015, eg, being able to take a flexible retirement income, take your fund as a number of lump sums, or take the whole fund in one go (all from age 55). 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.

Getting advice

Free and impartial government guidance about your defined contribution (AVC) pension options is available from Pension wise. Find out how to access this by visiting www.pensionwise.gov.uk or call 0800 138 3944 to book an appointment. This service is available on the internet, over the telephone or face to face at a Citizens Advice branch.

If you are considering taking payment of or transferring your AVC plan, you should consider accessing this pension guidance **and** taking independent advice to help you decide which option is most suitable for you.

You can also pay AVCs to increase your death in service lump sum cover over and above the two times **career average pay** provided by the LGPS, or to provide additional dependants' benefits.

- **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 make your choice.

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.

When the benefits are paid, you will be able to take up to 25% of your fund as a tax-free lump sum¹, with the remainder available to buy you an annuity from an insurance company, bank or building society or to take as a taxable lump sum.

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

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

Points to note

- You can, if you wish, pay up to 100% of your UK taxable earnings in any one tax year into any number of 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.

There are also controls, known as the **lifetime allowance** and the **annual allowance** on all the pension savings you can build up before you become subject to a tax charge. Most scheme members' pension savings will be less than these allowances.

- If you have (or have applied for) **lifetime allowance enhanced protection, fixed 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 (eg, 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.

- If you have (or have applied for) **lifetime allowance fixed protection, fixed protection 2014** or **fixed protection 2016** from HM Revenue and Customs you would have lost that protection if you were an active member of the LGPS on 6 April 2016.
- The maximum amount of scheme AVCs you can pay is 50% of your **pay** in each office you hold where you are a member of the LGPS.
- If you elect to pay AVCs for additional death benefits, you may be required to satisfy certain medical conditions. You may be asked to complete a medical questionnaire and/or undergo a medical examination at your own expense before your election is accepted.
- Further information on increasing your scheme benefits is available by contacting your **administering authority**.

Ceasing to be a Councillor Before Retirement

Please note that the position for councillors in England changed from 1 April 2014.

Councillors in England should read the information in the note '[LGPS Councillors Pensions \(England\) Update](#)' for the position from April 2014.

What happens to my benefits if I cease to be a councillor participating in the LGPS?

If you cease to be a councillor participating in the LGPS then your options concerning what happens to the benefits you have built up in the LGPS are set out in the table below.

If you have:

Less than three months' total membership

Either

You can take a refund of your contributions less a deduction for tax (there may also be a deduction to cover the cost of buying you back into the [state second pension scheme \(S2P\)](#), but only if you paid national insurance as a scheme member before 6 April 2016).

Or

You can defer making a decision until you either rejoin the same LGPS fund as a councillor member (in Wales), or join a new pension scheme, or want to take a refund of contributions.

At least three months' total membership

Either

You can leave your accrued benefits in the LGPS. Your pension and lump sum will be calculated as described in the section on [Retirement Benefits](#) using the length of your **total membership** up to the date that you left the scheme. This is known as having deferred benefits

Or

You can transfer an amount equal to the cash equivalent of your pension benefits into your new employer's scheme provided they are willing and able to accept it, into a personal pension plan or into a stakeholder pension scheme (but not the LGPS in England or Wales unless you again participate in the same LGPS administering authority in Wales as a councillor member).

Note: it may be possible to make a transfer payment to an overseas pension scheme or arrangement that meets HM Revenue and Customs conditions.

What will happen to my benefits if I choose to defer them?

We work out the value of your deferred benefits when you leave the LGPS and hold them in the LGPS for you until either you decide to transfer them to another pension scheme, or they are due to be paid.

Deferred benefits become payable at age 65 (unless you opt to defer payment beyond that age), but you can choose to take payment from age 55. You do not need your former council's consent to take payment of your benefits from age 55 but they will normally be reduced (as detailed in the [Early Retirement](#) section) to take account of the fact that they will be paid for longer.

If you were contributing to the Scheme at any time between 1 April 1998 and 30 September 2006 and you are a [protected member](#), some or all of your benefits could be protected from the reduction. However, if you choose to voluntarily take your pension on or after age 55 and before age 60, the protection will not automatically apply. Your former council can choose to allow the protection to apply - this is a [discretion](#) and you can ask them what their policy is on this.

You can also ask to take payment of your benefits early on or after age 50 and before age 55, with your former council's consent. Your benefits would normally be reduced to take account of the fact that they will be paid for longer.

If your benefits are paid before the age of 55 they will be subject to significant tax charges (in addition to normal income tax).

Your former council can agree not to make any reduction for early payment on compassionate grounds. This is a council [discretion](#); you can ask your council what their policy is on this.

In addition, your benefits can be paid from any age in the event of ill health, without reduction.

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

Should you die while your benefits are deferred your retirement lump sum will be paid as a death grant.

A spouse's (either from a same or opposite sex marriage) or [civil partner's](#) long-term pension will also become payable. The spouse's or [civil partner's](#) pension is payable at the rate of one-half of your deferred pension.

Long-term children's pensions will be payable for so long as eligible children remain eligible following your death, as detailed in the [Protection For Your Family](#) section. The pension is not calculated, however, against a notional entitlement. It is calculated instead against the pension you would have received had your deferred benefits been put into payment on the date of your death. If your pension would have been calculated on a [total membership](#) of less than the shorter of ten years or the

amount you could have accrued had you continued in office to age 65, that amount is used to increase your pension for the purpose of calculating the children's pension only.

What will happen if I wish to transfer my LGPS pension benefits to another (non-LGPS) scheme?

If you are interested in transferring the value of your LGPS pension rights to another occupational pension scheme (outside of the LGPS in England and Wales), to a personal pension plan or to a stakeholder pension scheme you can ask for a transfer value quotation to be provided (known as the 'cash equivalent' transfer value).

Under provisions introduced by the Pensions Act 1995, a quotation must be guaranteed for a period of three months from the date on which it was calculated (the 'guarantee date'). A written option to proceed with the guaranteed transfer value must be received within the three month guarantee period. If you opt to proceed, the normal time limit for the scheme to pay the guaranteed transfer value will be six months from the 'guarantee date'. If the scheme does not make payment within this period it 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 1997 (as amended) which comply with requirements of the Pensions Schemes Act 1993.

If you are considering whether to transfer benefits, make sure you have full information about the two pension arrangements, ie 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.

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 before you make a decision to transfer your deferred benefits to a personal pension plan, stakeholder pension scheme 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 pension 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 or an employer's money purchase scheme) could help you in making an appropriate decision given that your decision could significantly affect your income in retirement.

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 Fund will check that you have received appropriate independent financial advice before your transfer to a scheme offering flexible benefits can proceed and relevant documentation to evidence this will be required. The Fund will provide you with more details if you request a transfer quotation.

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** or eligible children.

Points to note

- A refund of contributions cannot be paid if you already have a deferred benefit in the LGPS in England or Wales.
- Only scheme members who leave more than one year before age 65 can transfer their pension rights. The latest an election to proceed with a transfer can be made is one year before age 65.
- You must take appropriate independent financial advice before transferring from the LGPS to a defined contribution pension scheme. 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.
- When you take your benefits from the LGPS you will be given the option to exchange some of your pension for a bigger tax-free lump sum (see the [Retirement Benefits](#) section for further details).
- There are HM Revenue and Customs controls on all the pension savings you can have before you become subject to a tax charge - not including any state retirement pension, state pension credit or any spouse's, civil partner's or dependant's pension you may be entitled to.

There are two main allowances for pension savings – an [annual allowance](#) and a [lifetime allowance](#). Most scheme members' pension savings will be less than these allowances.

- If your council gives their consent to the early payment of your benefits before age 55, this may result in a tax charge on your benefits. This would be in addition to the normal PAYE tax on your monthly pension. Payment of benefits on or after age 55 will not result in this additional tax charge.
- Deferred benefits (including the lump sum benefits) are increased each year in line with the appropriate cost of living index (currently the consumer price index - CPI). However, should your deferred benefits be brought into payment before age 55 on the grounds of permanent ill health, pensions increase is only payable before your 55th birthday if you are certified as being incapable of engaging in any regular full-time work; if you are not so certified, or your deferred benefits are brought into payment with your former authority's consent before age 55, the benefits will be paid at a flat rate until age 55. Then, at age 55, the benefits will be increased by the accumulated effect of inflation since they were brought into payment.

- Spouses' and **civil partners'** pensions are payable for life even if your spouse or **civil partner** remarries, enters into a new **civil partnership** or cohabits. Spouses', **civil partners'** and children's pensions are increased each year in line with the appropriate cost of living index (currently the consumer price index - CPI) regardless of age.
- If your pension benefits are subject to a Pension Sharing Order issued by the Court following a 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 have deferred benefits and you remarry or enter into a new **civil partnership**, any spouse's or **civil partner's** pension payable following your death will also be reduced (see the [Pensions and Divorce](#) section for further details) but benefits payable to eligible children will not be reduced because of a pension share.
- Further information on the options available will be sent to you on leaving.

Opting Out of the LGPS

Please note that the position for councillors in England changed from 1 April 2014.

Councillors in England should read the information in the note 'LGPS Councillors Pensions (England) Update' for the position from April 2014.

Can I opt out of the LGPS?

You can leave the LGPS at any time by giving your council notice in writing. An election to opt out becomes effective from the end of the payment period during which you gave notification, unless your notification specifies a later date. You are recommended to obtain advice before opting out of the LGPS.

If you opt out the same options are available to you as detailed in the section on [Ceasing to be a Councillor Before Retirement](#) (except that deferred benefits cannot be paid until you have ceased to be an [eligible councillor](#) or, if earlier, age 75).

Can I rejoin the LGPS at a later date?

If you opt out once, you can rejoin the LGPS at any time whilst you remain an **eligible councillor**.

If you opt out of the LGPS more than once, unless you elect to rejoin the Scheme within three months of commencing as an **eligible councillor** with a new council (in Wales only), you will only be allowed to rejoin at the [discretion](#) of your council. You can ask your council what their policy is on this.

Points to note

- You may wish to obtain independent financial advice before you make a decision to opt out of the LGPS.

Some Other LGPS Provisions

The LGPS requires your **administering authority** to:

- pay interest on lump-sum benefits that are paid more than one month after they should have been paid.
- pay interest on pensions that are paid more than a year after they should have been paid.
- pay interest on refunds of contributions that are paid more than a year after the date you left the LGPS.
- 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.

The LGPS allows your **administering authority** to:

- commute small pensions into single lump-sum payments. The circumstances where this may happen are restrictive, particularly if you have other pension benefits.

The LGPS allows your authority to:

- reduce pension benefits if a LGPS member leaves as a result of a criminal, negligent or fraudulent act, or omission as a result of which you have incurred some monetary obligation to your employer.
- forfeit a LGPS member's pension rights if the Secretary of State for Communities and Local Government agrees and the member has been convicted of a serious offence connected with their office.

The LGPS does not allow you to:

- assign your benefits. Your LGPS benefits are strictly personal and cannot be assigned to anyone else or used as security for a loan.

Pensions and Divorce or Dissolution of a Civil Partnership

Under the LGPS, if you get divorced or a **civil partnership** is dissolved, you may wish to note that:

- 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 payable 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 a nomination form, this will remain in place unless you change it. 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.

You should also note that in proceedings for divorce, judicial separation or nullity of marriage, or for dissolution, separation or nullity of a **civil partnership**, you will be required to obtain the cash equivalent value of your pension rights from the **administering authority** which the court will take into account in the divorce or dissolution settlement. In Scottish divorces/dissolution, only the pension rights built up during the period of the marriage/**civil partnership** are taken into account.

The court may offset the value of your pension rights against your other financial assets in the divorce/dissolution settlement or it may issue a pension sharing order or an earmarking order against your pension.

If the court issues an earmarking order, the order may require that when your benefits come into payment your ex-spouse/ex-civil partner should receive one, or a combination, of the following benefits:

- all, or part, of your pension (this does not apply to divorces/ dissolutions in Scotland)
- all, or part, of your lump sum retirement grant
- all, or part, of any lump sum paid in the event of your death.

An earmarking order against pension payments, but not lump sums (unless the order directs otherwise), will automatically lapse if your former spouse or **civil partner** remarries or enters into a **civil partnership** and the full pension would be restored to you. Pension payments to your former spouse or **civil partner** would cease on your death.

If the court issues a pension sharing order, or you 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.

Your pension, your lump-sum and the contingent spouse's/**civil partner's** pension, but not the contingent children's pensions, will be reduced accordingly, and your ex-spouse/ ex-civil partner will hold benefits in his/her own right which can be left in the scheme to be payable from, normally, age 65, or can be drawn on or after age 55 and before age 65 with a reduction for early payment, or transferred to another qualifying pension scheme.

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 appropriate cost of living index(es) between the date the debit was first calculated and the date your benefits are paid. When your benefits become payable, the revalued amount of the pension debit will be deducted from your retirement benefits in accordance with guidance from the Government Actuary.

In assessing the value of your benefits against your **lifetime allowance**, the reduced value after the pension debit will be used. You may be able to pay additional voluntary contributions or contribute to a concurrent personal pension plan or stakeholder pension scheme in order to make up for the benefits 'lost' following a pension share.

All correspondence received by the **administering authority** in connection with divorce or dissolution proceedings will be acknowledged in writing. If no acknowledgement is received, you

should contact the **administering authority** to ensure that your correspondence has been received.

The cost of supplying information and complying with any court order imposing obligations on the LGPS will be recovered from you and/or your ex-spouse or ex-civil partner in accordance with a schedule of charges published by the **administering authority**.

Points to note

If your pension benefits in the LGPS are reduced following a pension sharing order then, for the purposes of calculating the value of your pension savings in the LGPS for the **annual allowance**, the reduction in your benefits is ignored in the year that the pension sharing order takes effect.

Scheme Administration

Who runs the LGPS?

The LGPS is run by **administering authorities**, for example county councils, in accordance with regulations approved by Parliament. Each administers their own Fund, into which all contributions are paid. Every three years, independent actuaries carry out a valuation of each Fund and set the rate at which the participating employers must contribute to fully fund the payment of scheme benefits for that Fund's membership.

How is the scheme amended?

The Scheme regulations for councillors are made under the Superannuation Act 1972. Changes to the rules are discussed at national level by employee and employer representatives but can only be amended with the approval of Parliament. Your **administering authority** must keep you informed of any changes that are made.

Are the scheme benefits protected?

As the scheme is set up by statute, payment of the scheme benefits is guaranteed by law.

What other legislation applies to the scheme?

The scheme is a registered public service 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.

How can I check the accuracy of my pension records?

To maintain the security of any information about you, your **administering authority** is registered under the current data protection acts. You can check that your computerised personal record is accurate, although a small fee may occasionally be charged for this.

What other information am I entitled to?

You are entitled to obtain a copy of the Local Government Pension Scheme Regulations 1997 (Statutory Instrument Number 1997 No.1612) and subsequent amendments. The regulations are available from The Stationery Office. A current version, including all amendments, is available on the Local Government Pension Committee's website at <http://lgpsregs.org/time-lineregs/SWorkLGPS.htm>

A copy of the regulations may be inspected at the offices of your **administering authority**. In addition, you are entitled to view and take copies of your **administering authority's** annual report and accounts.

Help with Pension Problems

Who can help me if I have a query or complaint?

If you are in any doubt about your benefit entitlements or have a problem or question about your LGPS membership or benefits, please contact the Fund. They will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible. 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 Internal Disputes Resolution Procedure. There are also other regulatory bodies that may be able to assist you.

The various ways you can ask for help with a pension problem are:

Internal disputes resolution procedure

In the first instance, you should write to the person nominated by the council that 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 that the nominated person considers reasonable).

The nominated person will consider your complaint and notify you of his/her decision. If you are still dissatisfied with that person's decision (or their failure to make a decision), you may, within six months of the date of the decision apply to the **administering authority** to have the decision reconsidered.

A leaflet explaining the Internal Disputes Resolution Procedure and relevant time limits is available from the Fund.

To avoid any unnecessary effort on your behalf we would welcome the opportunity to attempt to resolve with you the matter with which you are dissatisfied before you resort to a formal complaint.

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
(where you can submit an online enquiry form).

The Pensions Ombudsman (TPO)

TPO deals only with pension complaints. It can help if you have a complaint or dispute about the administration and/or management of a personal and occupational pension scheme.

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
(where you can submit an online complaint form)

The Pensions Regulator

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.

Tel: 0345 600 7060
www.thepensionsregulator.gov.uk

How can I trace my pension rights?

The Pension Tracing Service holds details of pension schemes, including the LGPS, together with relevant 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 must 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 service please contact the Pension Tracing Service:

The Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU
Telephone 0800 731 0193
www.gov.uk/find-lost-pension

Don't forget to keep us up to date with any change in your home address.

Pension Terms Defined

Administering authority

Please see the section entitled [Who runs the LGPS?](#)

Annual 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 are aligned with the tax year – 6 April to 5 April. Prior to the 2016/17 year the PIP for the LGPS was 1 April to 31 March, except for the 2015/16 year when special transitional rules applied.

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) |
| 6 April 2018 to 5 April 2019 onwards | £40,000 (unless tapering applies) |
| 6 April 2019 to 5 April 2020 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 was £80,000

Post-alignment tax year: 9 July 2015 to 5 April 2016 – the annual allowance for this period was 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 have in all tax-registered pension arrangements where you have been an active member of the scheme during the year ie you have paid contributions during the tax year (or your employer has paid contributions on your behalf).

Carry forward

You may be subject to an annual allowance tax charge if the value of your pension savings for a year increases 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 increases by more than £40,000 in a year you may not be liable to an annual allowance tax charge. For example, if the value of your pension savings in 2019/20 increased by £50,000 (ie by £10,000 more than the annual allowance) but in the three previous years had increased by £25,000, £28,000 and £30,000, and you are not subject to the 'tapered' annual allowance, 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 example.

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 savings 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.

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 from 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 |
| 2017/18 onwards | £4,000 | £36,000 |

* 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 £40,000 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 over the MPAA, plus the value of any defined benefit savings in excess of the alternative

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 has 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.
- 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 sum² if you have primary but not enhanced protection.

Please note:

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 (other 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.

Your **administering authority** will inform you if your LGPS pension savings in a pension input period are more than the standard annual

allowance³, or if it believes you have may have exceeded the annual allowance under the special flexible access rules. They must inform you no 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. The 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.

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 your pension administrators before you become entitled to those benefits. Your pension administrators will be able to tell you more about this option and the time limits that apply.

² A lump sum relating to pre 6 April 2006 where the whole amount can be taken as a lump sum without a connected pension.

³Please note, your administering authority is not obliged to inform you if you exceed the tapered annual allowance.

Your **administering authority** may also agree to pay some or all of an annual allowance tax charge on your behalf in other circumstances, eg, where your pension savings are not in excess of the standard annual allowance but are in excess of the tapered or money purchase annual allowance.

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’ of over £110,000, and ‘adjusted income’ over £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).

| | Definition | Limit |
|-------------------------|---|----------|
| Threshold income | Broadly your taxable income after the deduction of your pension contributions (including AVCs deducted under the net pay arrangement) | £110,000 |
| Adjusted income | 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, eg, 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.

How does the taper work?

From 6 April 2016, the taper reduces the annual allowance (AA) 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

Cerys

| | | |
|-------------------------------------|-----------------|---|
| Gross salary 2019/20 | £120,000 | |
| Less employee pension contributions | £13,680 | 11.4% |
| Threshold income 2019/20 | £106,320 | Below £110,000 so the annual allowance will not be tapered and remains at £40,000 |
| Pensions saving in the year | £39,184 | Less than £40,000 so no tax charge |

Sanjay

| | | |
|--|------------------|---|
| Gross salary 2019/20 | £130,000 | |
| Less employee pension contributions | £14,820 | 11.4% |
| Plus taxable income from property | £30,000 | |
| Threshold income 2019/20 | £145,180 | |
| Plus pensions saving in the year | £42,449 | |
| Adjusted income 2019/20 | £187,629 | Greater than £150,000 so annual allowance will be tapered |
| Tapered annual allowance | £21,186* | |
| In excess of annual allowance | £21,263 | Pension saving of £42,449 less tapered annual allowance |
| Annual allowance tax charge at marginal rate (assumed to be 40%) | £8,505.20 | £21,263 x 40% |

Taper = $£187,629 - £150,000 = £37,629 / 2 = £18,814$ (rounded down).

Standard AA £40,000 less £18,814 = £21,186

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.

Career average pay

Career average pay is the **pay** for each year or part year ending 31 March adjusted (other than the final year's pay) by the change in the cost of living, as measured by the appropriate index(es) (currently the retail price index - RPI), between the end of the relevant year and the last day of the month in which the councillor member's active membership of the scheme ends. The aggregate of each year's revalued pay is then divided by the total number of years and part years to arrive at the career average pay. This is the figure used to calculate your pension benefits.

Example

Assume that a councillor was in the scheme for three years from 1 May 2013 to 30 April 2016.

| Period | Pay for period | Inflation to apply for period | Pay plus inflation |
|---|----------------|-------------------------------|--------------------|
| 1 May 2013 to 31 March 2014 | £8,250 | 1 April 2014 to 30 April 2016 | £8,463.70 |
| 1 April 2014 to 31 March 2015 | £9,300 | 1 April 2015 to 30 April 2016 | £9,455.54 |
| 1 April 2015 to 31 March 2016 | £9,500 | 1 April 2016 to 30 April 2016 | £9,510.92 |
| 1 April 2016 to 30 April 2016 | £800 | None | £800 |
| Total career pay | | (A) | £28,230.16 |
| Career average pay (A divided by 3 years) | | | £9,410.05 |

Should you reach age 65 and continue to contribute to the LGPS, please refer to the [Late Retirement](#) section.

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.

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, until 5 April 2016, before [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.

Discretion

This is the power given by the LGPS to enable your council or your **administering authority** to choose how they will apply the scheme in respect of certain provisions.

Under the LGPS your council or your **administering authority** is 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 statement** 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 council or your **administering authority** what their policy is in relation to a **discretion**.

Eligible councillor (from 1 April 2014)

This is a councillor who is eligible for membership of the LGPS in accordance with the scheme of allowances published by a Welsh county council or county borough council.

If you were a councillor or elected mayor in England who was a member of the LGPS on the 31 March 2014 you could only have continued to pay pension contributions and build up pension benefits in the LGPS until the end of the **term of office** you were in on 31 March 2014 (or age 75 if earlier).

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 2006/2007 **lifetime allowance** of £1.5 million. 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 (eg, pay into the LGPS arranged AVC facility) or if you start a new pension arrangement, or if you transfer your LGPS benefits to another defined benefit pension scheme. You can 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.

Fixed protection

Because the **lifetime allowance** reduced to £1.5 million in April 2012 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 (ie, 25% of your **lifetime allowance** of £1.8 million) or if you have previously taken payment of (crystallised) pension benefits, 25% of your 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 were an active member of the LGPS on or after 6 April 2016 then **fixed protection** would have been lost.

If you lose **fixed protection** you must notify HMRC within 90 days of the day on which you could first reasonably be expected to have known that an event

had occurred which caused you to lose 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.

To have **fixed protection** you must have applied to HM Revenue & Customs (HMRC) in their prescribed form on or before 5 April 2012.

Fixed protection 2014

The **lifetime allowance** reduced to £1.25 million in April 2014 and a new protection called **fixed protection 2014** was introduced. You were able to apply for **fixed protection 2014** if you expected your pension savings to be worth more than £1.25 million (including taking into account past benefits already in payment) when you take them on or after 6 April 2014. **Fixed protection 2014** could 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 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 2014**, is £375,000 (ie 25% of your **lifetime allowance** of £1.5 million) or if you have previously taken payment of (crystallised) pension benefits, 25% of your 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 were an active member of the LGPS on or after 6 April 2016 then **fixed protection 2014** would have been lost.

If you lose **fixed protection 2014** you must notify HMRC within 90 days of the date on which you could first reasonably be expected to have known that an event had occurred which caused you to lose 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.

To have **fixed protection 2014** you must have applied to HM Revenue & Customs (HMRC) in their prescribed form on or before 5 April 2014.

Individual protection 2014

As well as **fixed protection 2014** a further protection called **individual protection 2014** was introduced when the **lifetime allowance** reduced to £1.25 million from 6 April 2014. Individuals could apply for **individual protection 2014** if their pension savings were valued at over £1.25 million on 5 April 2014.

Individual protection 2014 gives a protected **lifetime allowance** equal to the value of your pension rights on 5 April 2014 - up to a 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.

You can hold both **fixed protection 2014** and **individual protection 2014**; however, you were not able to 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**.

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

Fixed protection 2016

The **lifetime allowance** reduced to £1 million in April 2016 and a new protection called **fixed protection 2016** was introduced. You can 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 2016**, is £312,500 (ie 25% of your **lifetime allowance** of £1.25 million) less the value of any other pension rights you have in payment.

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 was zero, any pension build up, however small, will lead to your pension increasing by more than zero. Therefore, if you applied for and wished 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 date on which you could first reasonably be expected to have known that an event had occurred which caused you to lose 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

As well as **fixed protection 2016**, the Government also introduced **individual protection 2016** when the **lifetime allowance** reduced to £1 million in April 2016. You can apply for **individual protection 2016** if you have pension savings valued at over £1 million (including past benefits already in payment) on 5 April 2016. However, if you have **primary protection**, you can't apply for **individual protection 2016**.

Individual protection 2016 gives a protected **lifetime allowance** equal to the value of your pension rights on 5 April 2016 - up to a 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 an [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 reference numbers which you will need to keep.

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)**.

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 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) is more than the **lifetime allowance**, or more than any protections you may have (see below), you will have to pay tax on the excess benefits. **The lifetime allowance covers any pension benefits you have in all tax-registered pension arrangements – not just the LGPS.**

The **lifetime allowance** was introduced in 2006 and was reduced in 2012, 2014 and 2016. Each time the **lifetime allowance** limit reduced, if you had already planned your pension savings on the basis of the higher **lifetime allowance** limit you could protect your

pension savings by applying to HMRC for a **lifetime allowance** protection.

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:

| Tax year | Lifetime allowance |
|----------|--------------------|
| 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 |
| 2019/20 | £1.055 million |

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

Each time you take payment of a pension benefit the capital value of the benefits you are taking is expressed as percentage of the **lifetime allowance** limit applicable on that date and is deducted from your available **lifetime allowance**. So even if your pensions are small and individually will not be more than the **lifetime allowance** you should keep a record of any pensions you receive.

If you have a pension that came into payment before 6 April 2006, this will also be treated as having used up part of your **lifetime allowance**. For these pensions, the capital value 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 you take your LGPS benefits, if the capital value of those benefits is more than your available **lifetime allowance** you will have to pay tax on the excess. If your excess benefits are paid as a pension the tax charge will be 25% of the capital value of the excess; the ongoing pension payments will also be subject to income tax. If the excess benefits are taken as a lump sum they will be taxed once only at 55%. You can choose to pay the tax charge immediately by a reduction to your lump sum, pay the tax directly to HMRC yourself, or you can ask the scheme to pay the charge for you in return for a permanent reduction to your pension – this is called a **lifetime allowance** debit.

There are protections called **primary lifetime allowance protection**, **enhanced protection**, **fixed protection**, **fixed protection 2014**, **individual protection 2014**, **fixed protection 2016** and **individual protection 2016**.

Pay

In England, this is your basic allowance or special responsibility allowance, or both, which is specified as being pensionable in your council's scheme of allowances. In Wales it is your basic and special responsibility allowance. It does not include any dependants' carer's allowance, travelling and

subsistence allowance, or co-optees allowance.

Policy statement

This is a statement that your council and your **administering authority** must publish, setting out how they have chosen to exercise certain **discretions** under the LGPS. Other **discretions** may also be included. You may ask your council and your **administering authority** for the latest copy of their **policy statements**.

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, ie, those whose benefits at 5 April 2006 already had a capital value in excess of the 2006/2007 **lifetime allowance** of £1.5 million.

If the value of your pension benefits at 5 April 2006 was more than the 2006/2007 **lifetime allowance** of £1.5 million 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 2006/2007 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 2006/2007 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.

Protected member

If you were contributing to the scheme at any time between 1 April 1998 and 30 September 2006 you may have protected rights regarding early payment of your benefits. This protection is called the 85 year rule. Working out how you are affected by the 85 year rule can be quite complex, but the information below should help you work out your general position.

- **If you choose to voluntarily take your pension on or after age 55 and before age 60** and you have rule of 85 protections, these will not automatically apply. Your council can choose to allow the rule of 85 to apply. This is a **discretion** and you can ask your council what their policy is on this.

If you choose to voluntarily take your pension on or after age 55 and before age 60 and your council does not choose to allow the rule of 85 to apply, your benefits will be reduced.

- **If you turned 60 before 31 March 2016** and you choose to retire on or after age 60 and before age 65 you may have some protection from the reductions applied to benefits voluntarily taken before age 65:

- If you satisfy the 85 year rule when you start to receive your pension, the benefits you have accrued up to 31 March 2016 will not be reduced. However, the benefits built up after 31 March 2016 will be reduced by the factor shown in the [early retirement reduction table](#) which relates to the number of years the benefits are being paid earlier than age 65.
- If you do not satisfy the 85-year rule when you start to receive your pension, but would have satisfied the rule if you had remained in the scheme until age 65, the calculation of your benefits is split into two parts. Firstly, all the benefits you have built up in the scheme up to 31 March 2016 will be reduced by the factor shown in the [early retirement reduction table](#) which relates to the number of years the benefits are being paid earlier than the date you would have met the 85-year rule. Secondly, any benefits you have built up in the scheme after 31 March 2016 will be reduced by the appropriate factor shown in the [early retirement reduction table](#) which relates to the number of years the benefits are being paid earlier than age 65.
- If you do not satisfy the 85-year rule when you start to receive your pension, and would not have satisfied the rule if you had remained in the scheme until age 65, all the benefits you have built up in the scheme will be reduced by the appropriate factor shown in the [early retirement reduction table](#) which relates to the number of years the benefits are being paid earlier than age 65.

- **If you will turn 60 after 31 March 2020** and choose to retire on or after age 60 and before age 65 (or between age 55 and 60 and your council chooses to allow the rule of 85 to apply) you may have some protection from the reductions applied to benefits voluntarily taken before age 65:

- If you satisfy the 85-year rule when you start to receive your pension, the benefits you have accrued up to 31 March 2008 will not be reduced. However, the benefits built up after 31 March 2008 will be reduced by the factor shown in the [early retirement reduction table](#) which relates to the number of years the benefits are being paid earlier than age 65.

- If you do not satisfy the 85-year rule when you start to receive your pension, but would have satisfied the rule if you had remained in the scheme until age 65, the calculation of your benefits is split into two parts. Firstly, all the benefits you have built up in the scheme up to 31 March 2008 will be reduced by the factor shown in the [early retirement reduction table](#), which relates to the number of years the benefits are being paid earlier than the date you would have met the 85-year rule. Secondly, any benefits you have built up in the scheme after 31 March 2008 will be reduced by the appropriate factor shown in the [early retirement reduction table](#) which relates to the number of years the benefits are being paid earlier than age 65.

- If you do not satisfy the 85-year rule when you start to receive your pension, and would not have

satisfied the rule if you had remained in the scheme until age 65, all the benefits you have built up in the scheme will be reduced by the appropriate factor shown in the [early retirement reduction table](#), which relates to the number of years the benefits are being paid earlier than age 65.

- **If you will reach age 60 between 1 April 2016 and 31 March 2020** and choose to retire on or after age 60 and before age 65 (or between age 55 and 60 and your council chooses to allow the rule of 85 to apply) you may have some protection from the reductions applied to benefits voluntarily taken before age 65, as explained below:

- If you satisfy the 85 year-rule when you start to take your pension, the benefits you have accrued up to 31 March 2008 will not be reduced.

However, the benefits built up after 31 March 2008 will:

- If you do not meet the 85-year rule by 31 March 2020, be reduced by the factor shown in the [early retirement reduction table](#) which relates to the number of years the benefits are being paid earlier than age 65. If you do meet the 85-year rule by 31 March 2020 a smaller reduction factor than that shown in the [early retirement reduction table](#) will be applied to the benefits built up between 1 April 2008 and 31 March 2020.

- If you do not satisfy the 85-year rule when you start to receive your pension, but would have satisfied the rule if you had remained in the

scheme until age 65, the calculation of your benefits is split into two parts. Firstly, all the benefits you have built up in the scheme up to 31 March 2008 will be reduced by the factor shown in the [early retirement reduction table](#), which relates to the number of years the benefits are being paid earlier than the date you would have met the 85-year rule. Secondly, any benefits you have built up in the scheme after 31 March 2008 will, if you would not meet the 85-year rule by 31 March 2020, be reduced by the appropriate factor shown in the [early retirement reduction table](#), which relates to the number of years the benefits are being paid earlier than age 65. If you would meet the 85-year rule by 31 March 2020 a smaller reduction factor than that shown in the [early retirement reduction table](#) will be applied to the benefits built up between 1 April 2008 and 31 March 2020.

- If you do not satisfy the 85-year rule when you start to receive your pension, and would not have satisfied the rule if you had remained in the scheme until age 65, all the benefits you have built up in the scheme will be reduced by the appropriate factor shown in the [early retirement reduction table](#) which relates to the number of years the benefits are being paid earlier than age 65.

- **How do I know if I will satisfy the 85-year rule?**

The rule is satisfied if your membership (as defined below) and age (each in whole years) adds up to 85.

- **Membership that counts in working out the 85-year rule**

The number of years that you have been a LGPS member as a councillor or elected mayor plus, for deferred benefits, the period between the date of leaving and the date benefits are bought into payment, but excluding any membership in respect of which you are already in receipt of a local government pension, or in respect of which you hold an earlier local government deferred pension which relates to an earlier period of membership of the scheme as a councillor or elected mayor, or in respect of any other earlier period of membership of the scheme as a councillor or elected mayor which has not been aggregated with your current period of membership.

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. Since 2010, **state pension age** for women has gradually increased to be equalised with that for men and reached age 65 in 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 increase to 66 for both men and women between December 2018 and October 2020.

| 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 www.gov.uk/calculate-state-pension.

State second pension (S2P)

The **state second pension** (formerly **SERPS**) is 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

Term of office

A **term of office** ends on the fourth day after the ordinary day of election of councillors. New terms of office commence on the same day as the old terms end.

Total membership

This is the amount of membership that counts, as detailed below, for:

- **working out whether you are entitled to a benefit**
 - the number of years and days that you have been a LGPS member as a councillor or elected mayor.
- **working out the amount of your personal benefits**
 - the number of years and days that you have been a LGPS member as a councillor or elected mayor, but excluding any membership in respect of which you are already in receipt of a local government pension, or in respect of which you hold a local government deferred pension which relates to an earlier

period of membership of the scheme as a councillor or elected mayor, or in respect of any other earlier period of membership of the scheme as a councillor or elected mayor which has not been aggregated with your current period of membership.

- any membership granted by way of ill-health enhancement (see the [Ill health retirement](#) section).

Contact information

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