The Highland Council
Comhairle na Gàidhealtachd

LGPS2015

A Guide to the Local Government Pension Scheme (LGPS) for Councillors in Scotland

Version 1.3 Councillors in Scotland – issued April 2018

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About this Booklet

The information in this booklet is based on the Local Government Pension Scheme (Scotland) Regulations 2014 and the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 (both effective from 1 April 2015) and other relevant legislation. It applies to individuals who were contributing councillor members of the Local Government Pension Scheme (LGPS) on 1 April 2015 or who have joined the scheme on or after that date. The booklet is for councillors in Scotland and reflects the provisions of the LGPS and overriding legislation at the time of publication in April 2018.

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

This booklet is for general use and cannot cover every personal circumstance nor does it cover specific protected rights that apply to a very limited number of scheme members. It does not cover the position relating to club transfer rules for councillors. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this booklet does not confer any contractual or statutory rights and is provided for information purposes only.

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

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

About the Local Government Pension Scheme (LGPS)

Who runs the LGPS?

The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme for people working in ***local government*** or working for other types of employer participating in the scheme and for some councillors. The LGPS in Scotland is administered locally through 11 local pension funds.

Your pension is administered by:

The Highland Council Pension Fund

The Highland Council Headquarters
Glenurquhart Road
Inverness
IV3 5NX

Email: pensions.section@highland.gov.uk

Website: www.highlandpensionfund.org

Telephone: 01463 702441

LGPS rules

The scheme regulations are made under the Public Service Pension Schemes Act 2013 and, in the case of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014, under the Superannuation Act 1972. Changes to scheme rules are discussed at national level by employee and employer representatives but can only be amended with the approval of the Scottish Parliament. Your administering authority must keep you informed of any changes that are made.

The LGPS is a registered ***public service pension scheme*** under Chapter 2 of Part 4 of the Finance Act 2004. It achieved automatic registration by virtue of Part 1 of Schedule 36 of that Act (because the scheme was, immediately before 6 April 2006, both a retirement benefits scheme approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 and a relevant statutory scheme under section 611A of that Act). This means, for example, that you receive tax relief on your contributions. It complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004.

LGPS responsibilities

Information

Your administering authority is required to:

- issue annual benefit statements to scheme members (other than to pensioners).

- have a statement setting out their policy on communicating with scheme members, members' representatives, prospective members and employers.

You are entitled to obtain a copy of the Local Government Pension Scheme (Scotland) Regulations 2014 (Scottish Statutory Instrument Number 2014 No.164) and the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland)

Regulations 2014 (Scottish Statutory Instrument Number 2014 No. 233) and subsequent amendments.

The regulations are available from http://www.legislation.gov.uk. A current version, including all amendments, is available on the website www.lgpsregs.org. A copy of the Regulations may be inspected at the Fund's offices. In addition, you are entitled to view, and take copies of, the Fund's Annual Report and Accounts which are available to view on the funds website www.highlandpensionfund.org.

To maintain the security of any information about you, your administering authority is registered under the current Data Protection Act. You can check that your computerised personal record is accurate by contacting the Pension Section.

Decisions

The regulations give specific responsibilities to employers/councils and pension fund administrators, each of whom must make decisions in relation to some matters and can exercise their ***discretion*** in relation to others.

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

You can find more information by visiting our website www.highlandpensionfund.org.

Governance

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

Funding

As a scheme member, you will pay contributions to the LGPS. Your council currently pays in the balance of the cost of providing your benefits after taking into account investment returns. Every three years, an independent actuary calculates how much your council should contribute to the scheme. The amount will vary, but generally the present underlying assumption is that scheme members contribute approximately one third of the scheme's costs and the council contributes the rest.

Future cost management of the LGPS

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

Your Pensions Choice

In this section we look at:

- **Your pensions choice,**
- **Who can join the Local Government Pension Scheme (LGPS), and**
- **The cost of being a member of the LGPS.**

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

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

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

Your Pensions Choice

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

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a statutory, funded pension scheme. As such it is very secure because its benefits are defined and set out in law.

Key features of the LGPS include:

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

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

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

Your Pensions Choice

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

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

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

Personal Pension Plans and Stakeholder Pension Schemes

Various institutions, such as banks, building societies and life assurance companies provide and administer personal pensions and stakeholder pension schemes. Your chosen organisation would invest your contributions. When you retire the investments are cashed in and the sum of money realised is used to buy retirement benefits from the insurance market and from April 2015 these benefits can also be taken as cash (subject to tax as appropriate). Your benefits are therefore based on investment returns and are not guaranteed or linked to your earnings. The age from which you may receive them will vary according to the plan.

Joining the Local Government Pension Scheme (LGPS)

Who can join?

The LGPS is available to all Councillors elected to a local authority in Scotland, including such a Councillor when exercising functions as a Convenor or Vice-convenor of a joint board. To be able to join the LGPS you need to be under age 75.

If you are eligible for membership of the LGPS you will automatically become a member of the main section of the scheme, but you have the right to decide not to join the scheme.

Can I join the LGPS if I already have a personal pension or stakeholder pension scheme?

If you currently contribute to a personal pension plan or stakeholder pension scheme and decide to join the LGPS, you can, if you wish, still continue to make your own contributions to the personal pension or stakeholder pension scheme or you can stop paying into it.

Your Pensions Choice

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

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

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

On joining the LGPS relevant records and a ***pension account*** will be set up and an official notification of your membership of the LGPS will be sent to you. **You should check your pay slip to make sure that pension contributions are being deducted.**

Can I opt out of the LGPS?

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

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

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

If you opt out of the LGPS with 3 or more months membership and before completing the 2 years ***vesting period*** you can take a refund of your contributions (less any statutory deductions) or transfer out your pension to another scheme.

If you opt out of the LGPS after meeting the 2 years ***vesting period*** you will have deferred benefits in the scheme and will generally have the same options as anyone leaving their job before retirement (except you cannot draw your deferred benefits unless you have left your office). You can find details of these options in the section on **Leaving Before Retirement**.

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

Contributions

What do I pay?

The rate of contributions you pay is based on how much you are paid. There is a 5 tier contribution system with your contributions based on how much of your pay as a Councillor falls into each tier. If you elect for the 50/50 section of the scheme you would pay half the rates listed below.

When you join and every April afterwards, your council will decide your contribution rate.

Here are the tiers that apply from April 2022:

Actual Pensionable Pay	Contribution rate (%)
On earnings up to and including £23,000	5.5%
On earnings above £23,001 and up to £28,100	7.25%
On earnings above £28,101 and up to £38,600	8.5%
On earnings above £38,601 and up to £51,400	9.5%
On earnings above £51,401	12%

The pay ranges will be increased each April in line with the cost of living.

The contribution rates and / or pay bands will be reviewed periodically and may change in the future. This is to maintain the average contribution from scheme members at 6.3% and to ensure the long term costs of the scheme are managed.

You pay contributions on the remuneration paid to you by your council as a Leader of the Council, Civic Head, Senior Councillor or Councillor, including payments in respect of functions as Convenor or Vice-convenor of a joint board.

When you join and every April afterwards, your council will decide your contribution rate. Once your contribution rate is set in April each year it generally remains in force for the rest of the ***Scheme year***. However, your council must review your contribution rate if you have a permanent, material change to your terms and conditions as a Councillor during the ***Scheme year*** which affects your ***pensionable pay***. Your council must inform you of any change to your contribution rate.

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

You should check your payslip to make sure that pension contributions are being deducted.

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

Your Pensions Choice

What does the council pay?

Your council currently pays the balance of the cost of providing your benefits after taking into account investment returns. Every three years, an independent actuary calculates how much your council should contribute to the scheme. The amount will vary, but generally the present underlying assumption is that scheme members contribute approximately one third of the scheme's costs and the council contributes the remainder.

Do I receive tax relief on my contributions?

The LGPS is fully approved by HM Revenue and Customs, which means that if you earn enough to pay tax you receive tax relief on your contributions. To achieve this, your contributions are deducted from your ***pensionable pay*** before you pay tax. So, for example, if you pay tax at the rate of 20%, every £1 that you contribute to the scheme only costs you 80p net. There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increase in any one year by more than the annual allowance you may have to pay a tax charge. Most people will not be affected by the annual allowance. To find out more, see the section on **Tax Controls and Your LGPS Benefits**.

Is there any flexibility to pay less contributions?

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

Can I make extra contributions to increase my benefits?

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

Is there a limit to how much I can contribute?

At the present time there is no overall limit on the amount of contributions you can pay (although, as explained in the section on **Contribution Flexibility**, there is a limit on the extra LGPS pension you can buy and on the amount you can pay into the scheme's AVC arrangement). However, tax relief will only be given on contributions up to 100% of your UK taxable earnings (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme). Additionally, under HM Revenue and Customs rules there are controls on the pension savings you can have before you become subject to a tax charge – most people will not be affected by these controls. To find out more, see the section on **Tax Controls and Your LGPS Benefits**.

I'm already paying into the LGPS as a current Councillor with another authority or in a job I hold – can I still join?

If you are already paying into the LGPS, you can be a member of the LGPS in your new position as well, provided you are eligible to join (see the paragraph above on **Who can join?**). You will have a separate ***pension account*** for each employment or office and receive a separate pension at retirement.

If you are a Councillor with more than one council and leave one office before leaving the other, the pension from the ***pension account*** of the office that has ended will be joined to the ***pension account*** for the ongoing office unless you have met the 2 years ***vesting period***, in which case you will, if you wish, be able to choose, within 12 months of ceasing the office that has ended (or such longer period as your council may allow), to keep the ***pension accounts*** separate. Details will be provided by your Pension Fund administrator at the time.

Pension rights built up as a Councillor in Scotland cannot be joined with rights built up as an employee in Scotland and vice versa.

What about my other non- LGPS pensions?

If you have paid into another non-LGPS pension arrangement or to the LGPS England and Wales or Northern Ireland, you may be able to transfer your previous pension rights into the LGPS (provided you are not already drawing them as a pension). You only have 12 months from joining the LGPS to opt to transfer your previous pension rights.

Whether or not you should transfer your pension rights is not always an easy decision to make, and you may wish to seek the help of an independent financial adviser.

For more information, see the section on **Transferring Pension Rights into the LGPS**.

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

If you rejoin the LGPS as a Councillor participating in the same LGPS Fund in which you were previously a Councillor member, and you have deferred benefits in that LGPS Fund as a Councillor member those deferred benefits will normally be automatically joined with your new active ***pension account***. If you want to retain separate deferred benefits then you must make such an election, within 12 months of rejoining the scheme.

If you rejoin the LGPS in Scotland as a Councillor member and have a deferred refund from a period of membership as a Councillor this **must** be joined with your new active ***pension account*** irrespective of which LGPS Fund in Scotland you rejoin.

Pension rights built up as a Councillor in Scotland cannot be joined with rights built up as an employee in Scotland and vice versa.

Transfers from the LGPS in England and Wales or Northern Ireland will buy you extra pension in your ***pension account*** as a Councillor in Scotland.

Your Pensions Choice

If you wish to transfer your previous LGPS pension rights you should contact the Pensions Section as soon as possible to find out about this and about the matters you will need to consider in making your decision.

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

If you built up any pension in the scheme before 1 April 2015 and you become a Councillor you must tell the LGPS fund that pays your pension about this new role, regardless of whether you join the scheme in your new Councillor position or not. They will let you know whether your pension in payment is affected in any way.

If you have only built up benefits in the LGPS from 1 April 2015, draw your pension and become a Councillor you do not need to inform the LGPS fund that pays your pension as there is no effect on your pension in payment.

Forms to fill in:

Death benefit forms

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

Your administering authority has absolute ***discretion*** when deciding on who to pay any death grant to. The LGPS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning an expression of wish form. The form is available from our website www.highlandpensionfund.org or by contacting the Pensions Section.

If you cohabit with a partner of either the opposite or same sex, there is a provision in the LGPS for your partner to receive a survivor's pension on your death. Your administering authority must be satisfied that your relationship meets certain conditions laid down by the LGPS before paying a survivor's pension to an ***eligible cohabiting partner***. You can find out about these conditions from the section on **Life Cover – Protection For Your Family**. If this applies to you, you may wish to complete a cohabiting partner's form to provide your administering authority with additional details to assist them when deciding whether the criteria for such a survivor's pension are met should a cohabiting partner's pension need to be paid.

More information

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

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the section **Help with Pension Problems**.

Contribution Flexibility

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

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

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

Flexibility to pay less

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

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

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

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

Here are the tiers that apply from April 2022:

Contribution Table 2022/23		
Actual Pensionable Pay	**Main Section**	**50/50 Section**
On earnings up to and including £23,000	5.5%	2.75%
On earnings above £23,001 and up to £28,100	7.25%	3.625%
On earnings above £28,101 and up to £38,600	8.5%	4.25%
On earnings above £38,601 and up to £51,400	9.5%	4.75%
On earnings above £51,401	12%	6%

Who can elect for 50/50?

As a member of the LGPS you can elect to pay into the 50/50 section at any time. An election to join this section must be made in writing to your council. There is no limit to the number of times you can elect to move between the main and the 50/50 section, and vice versa. Your election once received by your council takes effect from your next available pay period.

Contribution Flexibility

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

You need to make a written election to your council to move to the 50/50 section of the LGPS. This can be in the form of a letter or a completed 50/50 election form. A 50/50 election form is available from your council or the Pensions Section. The form can be found on our website www.highlandpensionfund.org. If you are contributing to more than one ***pension account*** you must specify in which of these you wish to be moved to the 50/50 section.

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

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

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

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

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

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

If you are in the 50/50 section you can choose to revert back to the main section of the scheme at any time by informing your council in writing. This can be in the form of a letter or a completed election form to rejoin the main section. An election form to rejoin the main section is available from your council or the Pensions Section. The form can be found on our website www.highlandpensionfund.org. If you have more than ***pension account*** in which you contribute to the 50/50 section you must specify in which of these you wish to be moved back to the main section. You will then start to build up full benefits in the main section from the next available pay period after your council receives your election.

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

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

Contribution Flexibility

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

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

Type of Contract	Effect of being in the 50/50 section
Additional Pension Contribution (APC) Contract (full cost to you to buy **extra** pension)	Existing Contracts - Must Cease New Contracts - Not Permitted
Additional Voluntary Contributions (AVC)	Existing Contracts - Can Continue (at the same rate as before you elected for the 50/50 option) New Contracts - Permitted
Additional Regular Contributions (ARC) contract	Existing Contracts - Can Continue (at the same rate as before you elected for the 50/50 option) Note that these contracts only apply to scheme members who took out such contracts before 1 April 2015.

Flexibility to pay more

Most of us look forward to a happy and comfortable retirement and in order to have that little bit extra during your retirement years you may wish to consider paying extra contributions, which are a tax efficient way of topping up your income when you retire.

There are a number of ways you can provide extra benefits, on top of the benefits you are already looking forward to as a member of the LGPS.

You can improve your retirement benefits by paying:

- Additional Pension Contributions (APCs) to buy extra LGPS pension (but not if you are in the 50/50 section)
- ***Additional Voluntary Contributions (AVCs)*** arranged through the LGPS (in-house AVCs)
- Free Standing ***Additional Voluntary Contributions*** (FSAVCs) to a scheme of your choice
- Contributions into a stakeholder or personal pension plan

You can combine any of these options.

Are there any limits on how much I can pay to increase my pension benefits?

There is no overall limit on the amount of contributions you can pay (although there is a limit on the extra scheme pension you can buy and on the amount of ***Additional Voluntary Contributions*** you can pay). However, tax relief will only be given on contributions up to 100% of your UK taxable earnings (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme).

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

The options explained:

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

If you are in the main section of the scheme you can pay more in contributions to buy up to £7,075 of extra pension.

Any extra pension you purchase is payable each year in retirement and is payable on top of your normal LGPS benefits. You can pay for this extra pension either regularly from your pay or via a lump sum. If you are in the 50/50 section of the scheme you cannot commence an APC to buy extra pension. If you have an existing APC to buy extra pension and elect for the 50/50 section the contract must cease.

- **Paying Regular Contributions**

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

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

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

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

Contribution Flexibility

- **Paying by Lump Sum**

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

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

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

- **General Additional Pension Contributions information**

  The cost to you of buying extra pension is calculated in accordance with guidance issued by Scottish Ministers which can be reviewed at any time. You will be advised of any increases to your contract as a result of a review by your pension administrator. The extra pension you are buying will increase in line with the cost of living, both before and after you draw your pension.

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

  If you wish to buy extra pension and you already have an existing APC arrangement or, before 1 April 2015, you elected to buy additional pension under an Additional Regular Contribution (ARC) arrangement, the amount of additional pension from these existing arrangements will be taken into account when determining the maximum extra pension you can buy within the £7,075 limit.

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

  If you choose to retire early and draw your benefits before your ***Normal Pension Age***, the extra pension you have bought will be reduced for early payment.

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

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

  On retirement, you can choose to exchange some of the extra pension you have bought for a tax-free cash lump sum in the same way as your main LGPS pension. For more information on exchanging part of your pension for a lump sum see the section on **Your Pension**.

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

If you die after leaving but before retirement and your benefits are held in the LGPS for payment (deferred benefits), then a lump sum of 5 times the extra annual pension you paid for will normally be payable.

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

You can obtain a quote and print off an application form to buy extra pension at https://calc.lgpsmember.org/scotlgps2015/apc/.

You can also contact the Pensions Section for further information on paying Additional Pension Contributions.

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

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

All local government pension funds have an AVC arrangement in which you can invest money, deducted directly from your pay, through an AVC provider (often an insurance company or building society). If you choose to pay AVCs under the LGPS, the AVCs are invested separately in funds managed by the AVC provider. You have your own personal account that, over time, builds up with your contributions and the returns on your investment, and will be available to you when you retire. You can often choose which investment route you prefer.

You can elect to pay an AVC if you are in either the main or 50/50 section of the scheme.

You decide how much you can afford to pay. You can pay up to 100% of your ***pensionable pay*** (after other deductions such as National Insurance and your LGPS contributions) into an in-house AVC in each ***pension account*** where you pay into the LGPS.

AVCs are deducted from your pay, just like your normal contributions. Your LGPS and AVC contributions are deducted before your tax is worked out, so, if you pay tax, you receive tax relief automatically through the payroll. You qualify for tax relief (normally at your highest rate) on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

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

You can also pay in-house AVCs to provide extra life cover. Your membership of the LGPS already gives you cover of three times your ***assumed pensionable pay*** if you die in service, but you can pay AVCs to increase this and / or, if the AVC arrangement your administering authority has set up includes this facility, to provide additional benefits for your dependants in the event of your death in service. This may be subject to satisfactory completion of a medical questionnaire. Any extra life cover paid for through AVCs will stop when you retire or leave.

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

- **Buy one or more annuities**

  This is where an insurance company, bank or building society of your choice takes your AVC Fund and pays you a pension in return.

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

  An annuity is paid completely separately from your LGPS benefits.

  The amount of annuity depends on several factors, such as interest rates and your age. You also have some choice over the type of annuity, for example whether you want a flat-rate pension or one that increases each year, and whether you also want to provide for dependants' benefits in the event of your death.

  Annuities are subject to annuity rates which in turn are affected by interest rates.

  When interest rates rise, the organisation selling annuities is able to obtain a greater income from each pound in your AVC fund, and therefore can provide a higher pension. A fall in interest rates reduces the pension which can be purchased.

- **Buy a Top-up LGPS Pension**

  When you take your LGPS benefits you can use some or all of your AVC fund to buy a top-up pension from the LGPS. This automatically provides an inflation-proofed pension and dependants' benefits and is based on set purchase factors which can change from time to time.

- **Take your AVCs as cash**

  You can take some or all of your AVC fund as a tax-free cash lump sum[1] but you can only take it all as a lump sum if you draw it at the same time as your main LGPS benefits and **provided**, when added to your LGPS lump sum, it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund).

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

Contribution Flexibility

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

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

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

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

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

  Impartial pension guidance is available from the Government's guidance website MoneyHelper (previously known as Pension Wise) if you are considering taking flexible benefits. The guidance is free and impartial and can be accessed on the internet, by phone, or face to face. For more information or to book a MoneyHelper appointment, visit their website at: https://www.moneyhelper.org.uk.

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

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

If you leave before retirement, your contributions will cease when you leave. The value of your AVC fund will continue to be invested until it is paid out. Your AVC plan is similar to your main LGPS benefits: it can be transferred to another pension arrangement or drawn at the same time as your LGPS benefits.

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

You can also contact the Pension Section for further information on paying AVCs.

Paying Free Standing *Additional Voluntary Contributions* (FSAVCs)

These are similar to in-house AVCs but are not linked to the LGPS in any way. With FSAVCs, you choose a provider, usually an insurance company. You may want to consider their different charges, alternative investments and past performance when you do this.

Contribution Flexibility

You choose how much to pay into an FSAVC arrangement. You can pay up to 100% of your UK taxable earnings (after National Insurance and your normal pension contributions).

Your FSAVC fund should grow as it is invested and will be available later in your life to convert into an additional pension of your choice. You can often choose which investment route you prefer.

You can take up to 25%[2] of the value of your FSAVC fund as a tax-free lump sum[3].

You can also pay FSAVCs to provide additional life cover. Your LGPS membership already gives you cover of three times your ***assumed pensionable pay*** if you die in service, but you can increase this amount via an FSAVC or use the FSAVC to provide additional dependants benefits on your death in service. This may be subject to satisfactory completion of a medical questionnaire.

Contribute to a concurrent personal pension plan or stakeholder pension scheme

You may be able to make your own arrangements to pay into a personal pension plan or stakeholder pension scheme at the same time as paying into the LGPS. With these arrangements, you choose a provider, usually an insurance company. You may want to consider their charges, alternative investments and past performance when you do this.

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

If you pay into a personal pension plan or stakeholder pension scheme, the contributions you make to it are invested in funds managed by an insurance company. You have your own personal account that, over time, builds up with your contributions and the returns on your investment, and will be available later in your life to convert into additional benefits. You can often choose which investment route you prefer.

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

For more information on the variety of options available when drawing benefits from a personal pension plan or a stakeholder pension scheme see the Government's guidance website https://www.moneyhelper.org.uk. This website provides guidance on drawing

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

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

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

flexible benefits only and does not provide information on taking benefits from a defined benefit scheme such as the LGPS.

I am already paying Additional Regular Contributions (ARCs). Can I buy any extra benefits?

Even if you are purchasing additional pension through an Additional Regular Contribution (ARC) contract which you entered into before 1 April 2015 you can still pay Additional Pension Contributions (APCs) to buy extra LGPS pension (APCs), up to a maximum of £7,075 (including any additional pension being bought by ARCs) and / or pay *Additional Voluntary Contributions (AVCs)*, or Free Standing AVCs (FSAVCs), or contribute to a concurrent personal pension plan or stakeholder pension scheme, if you wish.

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

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

If you have entered into a contract to buy **extra** pension by making Additional Pension Contributions (APCs), the contract must cease when you elect to move to the 50/50 section. Also, when you are in the 50/50 section of the scheme, you cannot elect to commence payment of an APC contract.

If you have, prior to 1 April 2015, entered into a contract to buy extra pension (ARCs) the contract will continue when you elect to move to the 50/50 section and the contributions under the contract must be paid in full.

If you have entered into an AVC arrangement this continues when you elect to move to the 50/50 section, unless you choose to terminate the contract. You can elect to commence payment of an AVC when you are in the 50/50 section of the scheme.

In the 50/50 section of the scheme you can commence payment of an AVC.

Do the tax rules on pension savings limit the extra I can pay?

There are HM Revenue and Customs controls on the total amount of contributions you can make into all pension arrangements and receive tax relief. There are also controls, known as the lifetime allowance and the annual allowance on all the pension savings you can have before you become subject to a tax charge. Most scheme members' pension savings will be less than these allowances.

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

The lifetime allowance is the total capital value of all your pension arrangements which you can build up without paying extra tax. If the value of your benefits when you draw them (not including any state retirement pension, state pension credit or any spouse's, ***civil partner's***, ***eligible cohabiting partner's*** or dependant's pension you may be entitled to) exceeds your lifetime allowance a tax charge will be made against the excess. The lifetime allowance for 2022/23 is £1,073,100 (unless you have a protected higher lifetime allowance – see the section on **Tax Controls and Your LGPS Benefits**).

The annual allowance is the amount your pension savings can increase by in any one year without paying extra tax. Up until 2014/15 the pension saving year in the LGPS ran from 1 April to 31 March. From 6 April 2016, the pension saving year for all pension schemes were aligned with the tax year – 6 April to 5 April. Special transitional arrangements applied for 2015/16. The annual allowance for 2022/23 is £40,000, unless you are a high earner who is subject to the tapered annual allowance in which case it may be lower – see the section on **Tax Controls and Your LGPS Benefits.**

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

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

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

You can find out more about HM Revenue and Customs controls on your pension savings from the section on **Tax Controls and Your LGPS Benefits**.

More information

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

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the section **Help with Pension Problems**.

Your Pension

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

In this section we look at how your pension is worked out and when you can draw your pension if you pay into the LGPS on or after 1 April 2015.

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

How is your pension worked out?

Your LGPS benefits are made up of:

- An **annual pension** that, after leaving, increases every year in line with the cost of living for the rest of your life, and
- The option to exchange part of your pension for a **tax-free lump sum** paid when you draw your pension benefits

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

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

If you joined the LGPS before 1 April 2015, your benefits for membership before 1 April 2015 are calculated differently. To find out more see the section **If You Joined the LGPS Before 1 April 2015**.

Your LGPS Annual Pension

If you are in the main section of the scheme the rate you build up your pension is 1/49th of the amount of your ***pensionable pay*** in the ***scheme year***.

If you are in the 50/50 section of the scheme the rate you build up your pension is half the rate in the main section (1/98th of the amount of your ***pensionable pay*** in the ***scheme year***).

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

You will have a *pension account* and your pension built up each ***scheme year*** is added to your account. The ***scheme year*** runs from 1 April to 31 March. If you are a Councillor with more than one council, you will have a separate ***pension account*** for each office.

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

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

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

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

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

How is my pension worked out - an example

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

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

Scheme Year	**Opening Balance**	**Pension Build up in Scheme Year** Pay/ Build up rate = Pension	**Total Account 31 March**	**Cost of Living Revaluation Adjustment**	**Updated Total Account**
1 2015/16	£0.00	£24,500/49 = **£500.00**	£500.00	-0.1% = -£0.50	£500.00 + -£0.50 = **£499.50**
2 2016/17	£499.50	£24,745/49 = **£505.00**	£1,004.50	1% = £10.05	£1,004.50 + £10.05 = **£1,014.55**
3 2017/18	£1,014.55	£24,992.45/49 = **£510.05**	£1,524.60	3% = £45.74	£1,524.60 + £45.74 = **£1,570.34**
4 2018/19	£1,570.34	£25,242.37/49= **£515.15**	£2,085.49	2% = £41.71	£2,085.49 + £41.71 = **£2,127.20**

5 2019/20	£2,127.20	£25,494.79/49 = **£520.30**	£2,647.50	2% = £52.95	£2,647.50 + £52.95 = **£2,700.45**

Let's assume that the member had a period of time in the 50/50 section of the scheme and for 6 months from 1 April 2016 to 30 September 2016 this member paid half their normal pension contributions in return for half their normal pension build up. Their ***pension account*** would look as follows:

Scheme Year	Opening Balance	Pension Build up in Scheme Year Pay/ Build up rate = Pension	Total Account 31 March	Cost of Living Revaluation Adjustment	Updated Total Account
1 2015/16	£0.00	£24,500/ 49 = **£500**	£500	-0.1% = -£0.50	£500 + -£0.50 = **£499.50**
2 2016/17	£499.50	£12,372.50 / 98 = **£126.25** £12,372.50/ 49 = **£252.50**	£878.25	1% = 8.78	£878.25 + £8.78 = **£887.03**
3 2017/18	£887.03	£24,992.45/ 49 = **£510.05**	£1,397.08	3% = £41.91	£1,397.08 + £41.91 = **£1,438.99**
4 2018/19	£1,438.99	£25,242.37/ 49 = **£515.15**	£1,954.14	2% = £39.08	£1,954.14 + £39.08 = **£1,993.22**
5 2019/20	£1993.22	£25,494.79/49 = **£520.30**	£2,513.52	2% = 50.27	£2,513.52 + £50.27 = **£2,563.79**

You can take a tax-free lump sum by giving up some of your annual pension. You can take up to 25% of the capital value of your LGPS benefits as a lump sum[5]. For every £1 of annual pension that you give up you will receive a £12 lump sum. In the same way, giving up £100 of your annual pension would give you £1,200 lump sum, and so on.

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

If you joined the LGPS before 1 April 2015 you will have benefits in the earlier career average scheme. Benefits built up before 1 April 2015 are worked out differently and are calculated using your membership in the scheme prior to 1 April 2015 and your ***career average pay*** when you leave the scheme.

For each year of LGPS membership built up from 1 April 2009 to 31 March 2015 you receive a pension based on 1/60th of your ***career average pay***.

[5] Provided the lump sum does not exceed £268,275 (2021/22 figure), or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

Your Pension

For each year of LGPS membership built up before 1 April 2009 you receive a pension based on 1/80th of your ***career average pay***. You will also receive an automatic lump sum. Please read the section **If you Joined the LGPS before 1 April 2015** for more information.

If you were a member of the LGPS before 1 April 2012 and were nearing retirement at that time you will have additional protection to ensure that the value of the pension you could have built up in the main section of the scheme after 31 March 2015 is at least as good as the amount of pension you could have built up if you had continued to build up pension at the rate of 1/60th of your ***career average pay*** for each year of membership. Please read the section **If you Joined the LGPS before 1 April 2015** for more information.

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

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

Taking a lump sum

As mentioned earlier, when you draw your pension you will be able to take part of your benefits as a tax-free lump sum by giving up some of your pension. An option to take a lump sum has to be made in writing before your benefits are paid. So that you have plenty of time to make up your mind and seek financial advice if you wish, it is important you contact the Pensions Section 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 a lump sum. Any subsequent pension for your spouse, ***civil partner***, ***eligible cohabiting partner*** or ***eligible children*** will not be affected if you decide to exchange part of your pension for a lump sum.

If you have a ***Guaranteed Minimum Pension (GMP),*** you may not reduce your pension to below the level of your ***GMP***.

Getting a small pension paid as a lump sum

Your Pension Fund administrator may be able to pay a small pension as a one off lump sum less a tax charge. However, the circumstances where this may happen are restrictive, particularly if you have any other pension benefits.

If a small pension is paid as a one off lump sum, all other benefits from the LGPS would have to cease, so your Pension Fund administrator will have to check that you have no other LGPS benefits before deciding whether your pension can be paid as a one off lump sum.

What if I am paying extra?

If you are buying extra LGPS pension by paying Additional Pension Contributions (APCs) either by regular payment or you made a one-off lump sum payment.

When you draw your pension, this will include the extra pension that you have paid for.

However, if you are paying APCs when you retire and qualify for an ill health pension, you will be credited with all the extra pension that you set out to buy, even if you have not completed full payment for it.

If you choose to retire early and draw your benefits before your ***Normal Pension Age***, the extra pension you have bought will be reduced for early payment.

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

You can choose to exchange some of the extra pension you have bought for a cash lump sum in the same way as your main LGPS pension.

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

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

However, if you are paying ARCs when you retire and qualify for an ill health pension, you will be credited with all the extra pension that you set out to buy, even if you have not completed full payment for it.

If you choose to retire early and draw your benefits before age 65, the extra pension you have bought will be reduced for early payment.

You can choose to exchange some of the extra pension you have bought for a cash lump sum in the same way as your main LGPS pension.

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

Your contributions will cease when you cease to contribute to the LGPS (or cease two days before age 75 if you carry on in office beyond that age).

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

- **Buy one or more annuities**

  This is where an insurance company, bank or building society of your choice takes your AVC Fund and pays you a pension in return.

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

  An annuity is paid completely separately from your LGPS benefits.

  The amount of annuity depends on several factors, such as interest rates and your age. You also have some choice over the type of annuity, for example whether you want a flat-rate pension or one that increases each year, and whether you also want to provide for dependants' benefits in the event of your death.

Annuities are subject to annuity rates which in turn are affected by interest rates.

When interest rates rise, the organisation selling annuities is able to obtain a greater income from each pound in your AVC fund, and therefore can provide a higher pension. A fall in interest rates reduces the pension which can be purchased.

- **Buy a Top-up LGPS Pension**

When you take your LGPS benefits you can use some or all of your AVC fund to buy a top-up pension from the LGPS. This automatically provides an inflation-proofed pension and dependants' benefits and is based on set purchase factors which can vary from time to time.

- **Take your AVCs as cash**

You can take some or all of your AVC fund as a tax-free cash lump sum[6] but you can only take it all as a lump sum if you draw it at the same time as your main LGPS benefits and **provided**, when added to your LGPS lump sum, it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund).

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

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

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

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

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

Pension guidance is available from the Government's guidance website MoneyHelper if you are considering taking flexible benefits. The guidance is free and impartial and can be accessed on the internet, by phone, or face to face. For more information or to book an appointment visit https://www.moneyhelper.org.uk/en.

[6] Provided, when added to your LGPS lump sum it does not exceed £257,500 (2018/19 figure, or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

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

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

If you leave before retirement, your contributions will cease when you leave. The value of your AVC fund will continue to be invested until it is paid out. Your AVC plan is similar to your main LGPS benefits: it can be transferred to another pension arrangement or drawn at the same time as your LGPS benefits.

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

When can I retire and draw my LGPS pension

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

If you are aged 55 to 59 you may be able to retire and receive payment of your benefits immediately.

You may have to retire at your council's instigation, because of permanent ill health. Your LGPS benefits, even in these circumstances can, provided you have met the 2 years ***vesting period*** in the scheme provide you with an immediate enhanced retirement pension.

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

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

Voluntary Retirement

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

Voluntary retirement at Normal Pension Age

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

For benefits built up from April 2015 your ***Normal Pension Age*** is linked to your ***State Pension Age*** (but with a minimum of age 65). It is the age at which you can take the pension you have built up in full. If you choose to take your pension before your ***Normal Pension Age*** it will be reduced, as it's being paid earlier. If you take it later than your ***Normal Pension Age*** it's increased because it's being paid later.

Please note that if you were in the LGPS before 1 April 2015 your benefits built up before that date will have a different ***Normal Pension Age***, which for most is age 65.

For further information on when benefits built up before 1 April 2015 are payable see the section **If you Joined the LGPS Before 1 April 2015**.

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

As the ***Normal Pension Age*** is linked to ***State Pension Age*** any changes to ***State Pension Age*** in the future will apply to all the pension you build up in the scheme after 31 March 2015. That means that the age when you can take your pension without suffering any actuarial reduction or actuarial increase to your pension will change.

If you built up membership in the LGPS before April 2015 then you will have membership in the earlier career average scheme. These benefits have a different ***Normal Pension Age***, which for most is age 65. For further information on when benefits built up before 1 April 2015 are payable please read the section **If you Joined the LGPS Before 1 April 2015**.

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

You can choose to retire and draw your pension from age 55 without your council's consent. Your pension is reduced if it is paid before your ***Normal Pension Age.***

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

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

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

As a guide, the percentage reductions (effective from 12/03/2019), for retirements up to 13 years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

	Pension Reduction (%)		Retirement Grant Reduction (%)
Years Early	**Males**	**Females**	**All Members**
0	0.0%	0.0%	0.0%
1	5.4%	5.4%	2.3%
2	10.4%	10.4%	4.6%
3	14.9%	14.9%	6.9%
4	19.2%	19.2%	9.1%
5	23.1%	23.1%	11.2%
6	26.8%	26.8%	13.3%
7	30.2%	30.2%	15.3%
8	33.3%	33.3%	17.3%
9	36.2%	36.2%	19.2%
10	39.0%	39.0%	21.1%
11	43.0%	43.0%	N/A
12	45.5%	45.5%	N/A
13	47.8%	47.8%	N/A

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

Choosing to carry on in office after your Normal Pension Age

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

To take account of the fact that you will be drawing your pension after your ***Normal Pension Age*** your benefits will be paid at an increased rate. The increase is calculated in accordance with guidance issued by Scottish Ministers from time to time. The increase is based on the length of time (in years and days) that you draw your pension after your ***Normal Pension Age***. The later you draw your pension, the greater the increase.

The percentage increases that apply to retirements on or after 24th June 2017 are shown in the table below. The table shows the increases applicable where you draw your pension later (up to 10 years) than your ***Normal Pension Age***. Where the number of years is not exact, the increase percentages are adjusted accordingly.

Years late	***Pension Increase (%)***	***Retirement Grant Increase (%)***
0	0.000%	0.000%
1	0.010%	0.001%
2	0.011%	0.001%
3	0.013%	0.001%
4	0.014%	0.001%
5	0.015%	0.001%
6	0.017%	0.001%
7	0.019%	0.001%
8	0.021%	0.001%
9	0.023%	0.001%
10	0.025%	0.001%

Ill health Retirement

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

If you have to leave office due to illness you may be able to receive immediate payment of your benefits.

To qualify for ill health benefits you have to have met the 2 years ***vesting period*** in the scheme and your council, based on an opinion from an independent occupational health physician appointed by them, must be satisfied that you will be permanently unable to perform the duties of your office until your ***Normal Pension Age***.

Ill health benefits can be paid at any age and are not reduced on account of early payment – in fact, your benefits would be increased to make up for your early retirement.

There are graded levels of benefit based on how likely you are to be capable of gainful employment after you leave.

The different levels of benefit are:

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

- **Tier 2: If you are not entitled to Tier 1 benefits and are likely to be capable of gainful employment before your *Normal Pension Age***, ill health benefits are based on the pension you have already built up in your ***pension account*** at your date of leaving the scheme plus 25% of the pension you would have built up calculated on ***assumed pensionable pay****,* had you been in the main section of the scheme until you reached your ***Normal Pension Age***.

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

However, if you have previously received a Tier 1 ill-health pension from the LGPS, or were awarded an LGPS ill-health pension before 1 April 2009, then no enhancement can be added to your ***pension account*** if you are retired again for reasons of ill-health.

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

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

If you were paying into the LGPS before 1 April 2015, the pension you built up before then is based on your ***career average pay*** when you leave the scheme. To find out more on protections for pre 1 April 2015 membership please read the section **If you Joined the LGPS Before 1 April 2015**.

More about your LGPS retirement benefits

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

There are HM Revenue and Customs controls on the pension savings you can have before you become subject to a tax charge when you draw them (over and above any tax due under the PAYE system on a pension in payment).

You can find out about HM Revenue and Customs controls on your pension savings from the section on **Tax Controls and Your LGPS Benefits.**

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

How does my pension keep its value?

On retiring on or after age 55 your LGPS pension increases in line with the cost of living every year throughout your retirement. **If the cost of living increases, so will your pension.** If you are retired on ill health grounds, your pension is increased each year regardless of your age.

Your Pension

Guaranteed Minimum Pension (GMP)

If your membership in the LGPS includes a ***Guaranteed Minimum Pension (GMP***), then at age 60 (women) / 65 (men) or at the date of your retirement if later, your LGPS pension for membership prior to 6 April 1997 will be compared with your ***GMP*** and increased to the rate of your ***GMP*** should this be higher. In most cases, your LGPS pension is higher than your ***GMP***.

If you retire and choose not to draw your pension immediately, the ***GMP*** element (if any) of your pension must be paid from age 60 (women) / 65 (men), unless you are still in some employment at that time and consent to postponement of payment of your ***GMP***.

Information about your State Retirement Pension

In addition to your LGPS benefits, you may also qualify for a state retirement pension paid by the government from ***State Pension Age***.

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

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

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

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

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

State Pension Age is currently age 65 for men.

State Pension Age for women was increased between 2010 and December 2018 to be equalised the State Pension Age of 65 that applied to men up to December 2018.

***State pension age* equalisation timetable for women**

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

The ***State Pension Age*** increased to 66 for both men and women between December 2018 to October 2020.

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

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

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

More information

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

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the section **Help with Pension Problems**.

Transferring Pension Rights into the LGPS

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

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

You may be able to transfer pension rights into the LGPS from:

- previous LGPS membership as a Councillor in the same Fund, or
- previous LGPS membership in England, Wales or Northern Ireland, or
- a previous employer's pension scheme, provided they participate in the ***Public Sector Transfer Club***, or
- an ***Additional Voluntary Contribution (AVC)*** arrangement

The fund does not accept transfers from any occupational pension schemes which are not part of the ***Public Sector Transfer Club***, or any personal pension arrangements.

You cannot transfer a pension credit into the LGPS. A pension credit is a share of an ex-spouse's or ***ex-civil partner*'s** pension benefits, as awarded by a Court under a Pension Sharing Order, or by a qualifying agreement in Scotland, following a divorce or a dissolution of a ***civil partnership***.

If you have previous LGPS pension rights in Scotland

If you rejoin the LGPS as a Councillor in the same LGPS Fund in which you were previously a Councillor member you **can** join these deferred benefits with your new active ***pension account*** in the scheme.

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

Where you have more than one ***pension account*** as a Councillor in the LGPS you can elect which account to aggregate your previous LGPS pension rights with.

I have deferred benefits in the LGPS in Scotland. What happens to these if I rejoin the scheme with the same LGPS Fund?

If you rejoin the same LGPS Fund in which you were previously a Councillor member you have 12 months from rejoining to elect to keep your deferred benefits separate from your new ***pension account*** otherwise these deferred benefits are automatically joined with your new ***pension account***.

Where you have more than one ***pension account*** as a Councillor in the LGPS you can elect which account to aggregate your deferred benefits with.

Special rules apply if you were a member of the LGPS in Scotland on or before 31 March 2015. These are set out below.

- **If you were a member of the LGPS at both the 31 March 2015 and 1 April 2015** and subsequently left (or opted out) as a Councillor with **deferred benefits**, provided you did not have a continuous break of more than 5 years in active membership of any ***public service pension scheme***, your deferred benefits will automatically be joined with your new ***pension account*** as a Councillor (where that account is with the same LGPS Fund) unless you elect, within 12 months of rejoining to keep your deferred benefits separate. If the benefits are joined and you have more than one ***pension account*** as a Councillor you will need to choose which account the deferred benefits are to be added to.

  Where the benefits are joined, the pension from the former role as a Councillor which you built up on or after 1 April 2015 will be added to your active ***pension account*** as a Councillor.

  The membership you built up before 1 April 2015 will continue to be calculated under the earlier career average scheme, with your ***career average pay*** when you leave as a Councillor used to work out the benefits for your pre 1 April 2015 membership.

- **If you were a member of the LGPS at both the 31 March 2015 and 1 April 2015** and subsequently left (or opted out) as a Councillor with **deferred benefits** with a continuous break of more than 5 years in active membership of any ***public service pension scheme***, your deferred benefits will automatically be joined with your new ***pension account*** as a Councillor (where that account is with the same LGPS Fund) unless you elect, within 12 months of rejoining to keep your deferred benefits separate. If the benefits are joined and you have more than one ***pension account*** as a Councillor you will need to choose which account the deferred benefits are to be added to.

  Where the benefits are joined, the pension from the former role as a Councillor which you built up on or after 1 April 2015 will be added to your active ***pension account.***

  The membership you built up before 1 April 2015 will purchase an amount of pension under the rules of the scheme at the time of the transfer and this will be added to your active ***pension account*** as a Councillor.

- **If you were a member of the LGPS before 31 March 2015** and left (or opted out) as a Councillor before this date with **deferred benefits** then provided you did not have a continuous break of more than 5 years in active membership of any ***public service pension scheme*** and you rejoined the LGPS after 31 March 2015 you can elect, within 12 months of rejoining to be treated as a member of the scheme on 31 March 2015 and 1 April 2015.

  If you choose to be considered a member of the scheme on these dates, your membership (built up) before 1 April 2015 will automatically be joined with your new ***pension account*** as a Councillor (where that account is with the same LGPS Fund) and will continue to be calculated under the earlier career average scheme with your ***career average pay*** when you leave the active employment used to work out the benefits for your pre 1 April 2015 membership.

If you do not choose to be considered a member of the scheme on 31 March 2015 and 1 April 2015, you can elect for the membership you built up before 1 April 2015 to purchase an amount of pension under the rules of the scheme at the time of the transfer and this will be added to your active ***pension account*** as a Councillor. If you do not make such an election you will retain separate deferred benefits.

- **If you were a member of the LGPS before 31 March 2015** and left (or opted out) before this date with **deferred benefits** with a continuous break of more than 5 years in active membership of any ***public service pension scheme*** and you rejoined the LGPS after 31 March 2015 you can elect for these deferred benefits to be transferred to your new ***pension account*** as a Councillor (where that account is with the same LGPS Fund). Where you elect for that to happen, the membership you built up before 1 April 2015 will purchase an amount of pension under the rules of the scheme at the time of the transfer and this will be added to your active ***pension account*** as a Councillor***.*** If you do not make such an election you will retain separate deferred benefits.

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

I have deferred benefits in the LGPS in Scotland. What happens to these if I rejoin the scheme with a different LGPS Fund?

If you rejoin the LGPS as a Councillor in a different LGPS Fund to that in which you were previously a Councillor member you will not be able to join your earlier benefits with your new ***pension account***. These deferred benefits will increase with the cost of living.

I have a deferred refund in the LGPS in Scotland. What happens to this refund when I rejoin the scheme?

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

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

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

Special rules apply if you were a member of the LGPS in Scotland on or before 31 March 2015. These are set out below.

- **If you were a member of the LGPS at both the 31 March 2015 and 1 April 2015** and subsequently left (or opted out) with a deferred refund, provided you did not have a break of more than 5 years in active membership of the LGPS in Scotland your deferred refund will automatically be joined with your new ***pension account*** as a Councillor. If you have more than one ***pension account*** you will need to choose which one the deferred refund is to be added to.

  The pension from the former period of membership which you built up on or after 1 April 2015 will be added to your active ***pension account*** as a Councillor.

  The membership you built up before 1 April 2015 will continue to be calculated under the earlier career average scheme, with your ***career average pay*** when you leave the scheme used to work out the benefits for your pre 1 April 2015 membership.

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

- **If you were a member of the LGPS before 31 March 2015** and left (or opted out) before this date with a deferred refund and subsequently rejoined the LGPS after 31 March 2015, your deferred refund will purchase an amount of pension under the rules of the scheme at the time of the transfer and this will be added to your active ***pension account*** as a Councillor.

To find out more on protections for membership built up before 1 April 2015 and see how this is calculated read the section **If you Joined the LGPS Before 1 April 2015**.
If you wish to transfer your previous LGPS pension rights you should contact your Pension Fund administrator as soon as possible to find out about this and about the matters you will need to consider in making your decision.

Pension rights built up as a Councillor in Scotland cannot be joined with rights built up as an employee in Scotland and vice versa.

If you have pension rights in a non – LGPS arrangement

If you have paid into a non-LGPS pension arrangement, you may be able to transfer your previous pension rights into the LGPS. The pension rights must be held by a Public Service Pension Scheme which participates in the ***Public Sector Transfer Club***. A Public Service Pension Scheme includes a pension scheme covering civil servants, the judiciary, the armed forces, fire and rescue or the police forces.

You have only 12 months from joining the LGPS to opt to transfer your previous pension rights.

If you opt to transfer pension rights from a non-LGPS arrangement then a sum of money called a ***transfer value*** is offered to buy an amount of extra pension which is added to your ***pension account***. If you transfer your previous pension rights into the LGPS, your retirement benefits will be increased. The extra pension is added to your ***pension account*** in the ***scheme year*** that the transfer payment is received.

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

You will need to carefully consider whether to transfer or not, as a transfer may not always be advantageous. For example, you should compare the amount of extra pension the transfer payment will buy in the LGPS, when that pension is normally payable from (i.e. your ***Normal Pension Age***) and the other LGPS benefits (e.g. the ability to retire and draw benefits earlier than ***Normal Pension Age***, death and survivor benefits, etc.) against the value of the package of benefits if left with your previous pension scheme provider.

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.

I have a personal or stakeholder pension plan. Can I continue paying into it?

If you have a personal or stakeholder pension plan you can continue to pay into it at the same time as paying into the LGPS.

You can, if you wish, pay up to 100% of your total UK taxable earnings in any one tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a “tax relief at source” arrangement, such as a personal pension or stakeholder pension scheme) and be eligible for tax relief on those contributions. Under HM Revenue and Customs rules there are controls on the pension savings you can have before you become subject to a tax charge. Most people will not be affected by these controls. To find out more, see the section on **Tax Controls and Your LGPS Benefits**.

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

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

However, there is an exception to this rule. If you were previously a member of the LGPS on 31 March 2015 and 1 April 2015 (or you were not a member on those dates but elect within 12 months of returning to the LGPS to be treated as if you had been a member on those dates) and you do not have a continuous break in active membership of a ***public service pension scheme*** of more than 5 years, you can choose not to transfer the accrued value of your AVCs to an AVC arrangement offered by your new administering authority.

If you have paid AVCs to the LGPS in Scotland, the accrued value of your AVCs can be transferred to an AVC arrangement offered by your new administering authority even if you do not elect to transfer your main scheme benefits.

Transferring Pension Rights into the LGPS

How do I transfer?

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

Remember, you only have 12 months from joining the LGPS to opt to transfer your previous pension rights.

I've lost touch with my previous pension provider. Who can help?

You may have lost touch with your former pension schemes but, if you have, don't worry as the Pension Tracing Service can help. It holds details of almost 200,000 UK pension schemes and provides a tracing service free of charge.

You can contact them at:
The Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton WV98 1LU   Telephone 0800 731 0193

Or visit:www.gov.uk/find-lost-pension

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

More information

For information on how your LGPS pension is worked out, see the section on **Your Pension**.

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

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the section **Help with Pension Problems**.

Leaving Before Retirement

In this section we look at what happens to your LGPS benefits on leaving your office before retirement if you pay into the LGPS on or after 1 April 2015.

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

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

- you can choose to keep your benefits in the LGPS. These are known as deferred benefits and will increase every year in line with the cost of living, or
- alternatively, you may be able to transfer your deferred benefits to another pension arrangement.

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

- you will normally be able to claim a refund of your contributions, less a deduction for tax and the cost, if any, of buying you back into the ***State Second Pension*** (***S2P***) in respect of your membership up to 5 April 2016 when the LGPS was contracted out of the ***State Second Pension*** (***S2P***). Interest is paid if the refund is not made within one year of leaving but no refund can be made if you rejoin the scheme in Scotland within a month and a day of leaving or rejoin before the refund has been paid
- you may be able to transfer your benefits to a new pension arrangement (providing you have been a member of the LGPS for at least 3 months)
- you can delay your decision until you either re-join the LGPS, transfer your benefits to a new pension arrangement, or want to take a refund of contributions. Where you delay your decision you will have what is known as a deferred refund ***pension account***. Please note, however, that the account can only be held in your Pension Fund for a maximum of 5 years or until age 75, whichever is earlier. If you have not transferred your benefits to a new pension arrangement or re-joined the LGPS by that time a refund of contributions will automatically be payable to you.

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

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

- any pension contributions you have paid, and
- any additional pension contributions or AVCs you have paid (other than AVCs paid for additional life cover).

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

Leaving Before Retirement

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

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

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

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

Your personal deferred benefits package consists of an annual pension, payable throughout your retirement, with an option on retirement to exchange some pension for a one off tax-free lump sum. It also includes life cover and financial protection for your family.

How are deferred benefits worked out?

Your deferred benefits will be calculated as follows:

- Your deferred **pension** in respect of your membership of the scheme **after 31 March 2015** is the value of the pension you have built up in your active ***pension account*** at the point of leaving. That amount of pension is transferred from your active ***pension account*** to your deferred ***pension account***.

  When you draw your deferred benefits you will be given the option to exchange some of your annual pension for a **one off tax-free lump sum**. You receive £12 lump sum for each £1 of annual pension given up. You can take up to 25% of the capital value of your pension benefits as a lump sum[7].

- The part of your deferred **pension** in respect of any membership of the scheme you have **between 1 April 2009 and 31 March 2015** is calculated by dividing any period of membership you have falling between those dates by 60 and multiplying the resulting figure by your ***career average pay*** over the period of your LGPS membership.

  When you draw your deferred benefits you will be given the option to exchange some of your annual pension for a **one off tax-free lump sum**. You receive £12 lump sum for each £1 of annual pension given up. You can take up to 25% of the capital value of your pension benefits as a lump sum[8].

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

- The part of your deferred **pension** in respect of any membership of the scheme you have between **before 1 April 2009** is calculated by dividing any period of membership you have falling before that date by 80 and multiplying the resulting figure by your ***career average pay*** over the period of your LGPS membership.

  In addition you will be entitled to an **automatic tax-free lump sum** of three times your pension for membership before 1 April 2009. You can also exchange part of the pre April 2009 pension for extra lump sum as described above.

For more information and examples of how benefits built up before April 2015 are worked out see the **If you Joined the LGPS Before 1 April 2015** section.

What if I paid extra?

If you have been paying extra contributions your contributions will cease when you leave the LGPS. If you leave with deferred benefits you will benefit from those extra contributions.

If you are buying extra LGPS pension by paying Additional Pension Contributions (APCs)

You will be credited with the extra pension you have paid for at the time of leaving. This will increase the value of your deferred benefits and any transfer value paid to a new pension arrangement.

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

You will be credited with the extra pension you have paid for at the time of leaving. This will increase the value of your deferred benefits and any transfer value paid to a new pension arrangement.

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

The value of your AVC fund will continue to be invested until it is paid out. Your AVC plan is similar to your main LGPS benefits in that it can be:

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

See the section on **contribution flexibility** for more information about transferring your AVC to a scheme that provides flexible benefits.

As you cannot pay in-house AVCs after leaving, any extra life cover paid for through AVCs will cease.

If you re-join the LGPS in Scotland as a councillor in the same Fund your deferred benefits are held in and choose to transfer your main LGPS benefits so that they are aggregated with your new period of membership in the LGPS, your AVCs must be transferred to the AVC arrangement offered by your new Pension Fund administrator. However, there is an exception to this rule. If you were previously a member of the LGPS on 31 March 2015 and 1 April 2015 (or you were not a member on those dates but elect within 12 months of returning to the LGPS to be treated as if you had been a member on those dates) and you do not have a continuous break in active membership of a ***public service pension scheme*** of more than 5 years, you can choose not to transfer the accrued value of your AVCs to the AVC arrangement offered by your new administering authority.

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

If your LGPS benefits are subject to a Pension Sharing Order issued by the Court following divorce or dissolution of a ***civil partnership***, or are subject to a qualifying agreement in Scotland, your deferred benefits will be reduced in accordance with the Court Order or agreement. For more information see the section on **Pensions and Divorce or Dissolution of a Civil Partnership.**

When are deferred benefits paid?

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

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

Early payment of deferred benefits at your request

You can request early payment of your deferred benefits from age 55. You do not need your former council's consent to draw your benefits at or after age 55.

If you choose to draw your deferred benefits before your ***Normal Pension Age*** your benefits will be reduced to take account of their early payment and the fact that your pension will be paid for longer. How much your deferred benefits are reduced by depends on how early you draw them.

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

As a guide, the percentage reductions (effective from 12/0/2019), for retirements up to 13 years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

Years Early	Pension Reduction (%) Males	Pension Reduction (%) Females	Retirement Grant Reduction (%) All Members
0	0.0%	0.0%	0.0%
1	5.4%	5.4%	2.3%
2	10.4%	10.4%	4.6%
3	14.9%	14.9%	6.9%
4	19.2%	19.2%	9.1%
5	23.1%	23.1%	11.2%
6	26.8%	26.8%	13.3%
7	30.2%	30.2%	15.3%
8	33.3%	33.3%	17.3%
9	36.2%	36.2%	19.2%
10	39.0%	39.0%	21.1%
11	43.0%	43.0%	N/A
12	45.5%	45.5%	N/A
13	47.8%	47.8%	N/A

Please note that if you built up pension in the LGPS before 1 April 2015 then protections are in place for the ***Normal Pension Age*** that applies to those benefitsYou can find out more about these protections from the section **If You Joined the LGPS Before 1 April 2015**.

Your former council can agree to waive any reduction. This is a ***discretion*** and you can ask your council what their policy on this is.

Early payment of deferred benefits due to permanent ill health

The second method of obtaining early payment of your deferred benefits is on the grounds of permanent ill-health. You can apply to the Pension Section for payment of your deferred benefits at any age, without reduction if, because of your health, you would be permanently incapable of performing the duties of your old position and you are unlikely to be capable of gainful employment before your ***Normal Pension Age***.

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

If you do not take early payment of deferred benefits under either of the above two methods the deferred benefits will be paid from your ***Normal Pension Age*** unless you opt to delay payment beyond that age.

If you draw your pension after your ***Normal Pension Age*** your benefits will be paid at an increased rate. The increase is calculated in accordance with guidance issued by Scottish Ministers from time to time. The increase is based on the length of time (in years and days) that you draw your pension after your ***Normal Pension Age***. The later you draw your pension, the greater the increase.

The percentage increases that apply to retirements on or after 24th June 2017 are shown in the table below. The table shows the increases applicable where you draw your pension later (up to 10 years) than your ***Normal Pension Age***. Where the number of years is not exact, the increase percentages are adjusted accordingly.

Years late	*Pension Increase (%)*	*Retirement Grant Increase (%)*
0	0.000%	0.000%
1	0.010%	0.001%
2	0.011%	0.001%
3	0.013%	0.001%
4	0.014%	0.001%
5	0.015%	0.001%
6	0.017%	0.001%
7	0.019%	0.001%
8	0.021%	0.001%
9	0.023%	0.001%
10	0.025%	0.001%

Deferred benefits must be paid before age 75. However, if your pension is not in payment at age 60 (women) / 65 (men), the ***Guaranteed Minimum Pension (GMP)*** element (if any) of your pension must be paid from that date (unless you are still in some employment at that time and consent to postponement of payment of your ***GMP***).

Keeping in touch

If you change address, please remember to let the Pensions Section know so we can keep in touch with you – something that's especially important when you come to draw your deferred benefits.

Your council can:

- reduce your pension benefits if you cease to be a Councillor as a result of a criminal, negligent or fraudulent act or omission as a result of which you have incurred some monetary obligation to the council.
- forfeit your pension rights if Scottish Ministers agree and you have been convicted of a serious offence connected with your Councillor position.

You are not allowed to:

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

Leaving Before Retirement

How do deferred benefits keep their value?

In the year you leave the LGPS the value of pension in your ***pension account*** (in respect of your membership from 1 April 2015 onwards ONLY) is revalued up to the date of leaving in line with the revaluation applied to active members of the LGPS.

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

For the period after your date of leaving your total deferred benefits (including the benefits you built up before 1 April 2015) will be increased in line with the cost of living. However, if the cost of living goes down your deferred benefits will not be reduced. Your pension will also continue to receive cost of living increases every year once it is paid to you.

On your benefits being paid on or after age 55, or if your benefits are paid before age 55 because of ill health and you are permanently incapacitated from engaging in any regular full-time employment, your benefits will be increased each year in line with the cost of living. Otherwise, if you draw your benefits before age 55 you will normally have to wait until your 55th birthday for your first cost of living increase, when your pension will be increased to the level it would have been had it been increased each year.

Do the tax rules on savings cover deferred benefits?

There are HM Revenue and Customs controls on all your pension savings - not including any state retirement pension, state pension credit or any spouse's, ***civil partner's***, ***eligible cohabiting partner's*** or dependant's pension you may be entitled to.

You can find out about HM Revenue and Customs controls on your pension savings from the section on **Tax Controls and Your LGPS Benefits**.

The Pensions Section will let you know the value of your LGPS benefits when they are paid and ask you about any other pensions you may have in payment, so we can work out whether or not to deduct a recovery tax charge.

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

If you leave with deferred benefits after 31 March 2015 and die before receiving them, the following benefits are payable:

A lump sum death grant of 5 times your deferred annual pension. Your Pension Fund administering authority has absolute ***discretion*** when deciding who to pay any death grant to. The LGPS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning an expression of wish form. You can complete an expression of wish form or make a new one at any time. The form is available from our website www.highlandpensionfund.org or by contacting the Pensions Section directly.

If any part of the death grant has not been paid within two years it must be paid to your personal representatives i.e. to your Estate. Your personal representatives will need to inform HM Revenue and Customs if, together with the lump sum death grant, the value of all your pension benefits - but not including any spouse's, ***civil partner's***, ***eligible cohabiting partner's*** or dependant's pension you may be entitled to – exceeds the HM Revenue and Customs lifetime allowance. Under HM Revenue and Customs rules, any excess will be subject to a recovery tax charge. Most scheme members' pension savings will be significantly less than the allowance. You can find more information on this from the section on **Tax Controls and Your LGPS Benefits****.**

If you left with deferred benefits **before** 1 April 2015 and die before receiving them and you are also an active member when you die, the greater of the following benefits are payable:

- **A lump sum death grant** of 5 times (or, if you left before 1 April 2009, 3 times) your deferred annual pension, **or**
- **A death in service lump sum** of three times your ***assumed pensionable pay***

If you leave with deferred benefits **after** 31 March 2015 and die before receiving them and you are also an active member when you die the greater of the following will be paid:

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

If you leave with deferred benefits **after** 31 March 2015 and also have deferred benefits from an earlier period of membership which ended **before** 1 April 2015 and die before receiving them the following benefits are payable:

- **A lump sum death grant** of 5 times your deferred annual pension for the deferred benefits awarded **after** 31 March 2015, plus 5 times the deferred annual pension for deferred benefits awarded **between** 1 April 2009 and 31 March 2015, plus 3 times the deferred annual pension for deferred benefits awarded **before** 1 April 2009.

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

A survivor's pension. A pension will be paid to your spouse (from an opposite sex or same sex marriage), registered ***civil partner*** or, subject to certain qualifying conditions, your ***eligible cohabiting partner***. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

For each year of membership you built up **from** 1 April 2015 you were credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme 1/98th) of the ***pensionable pay*** you received during that year The pension payable to your spouse, registered ***civil partner*** or, subject to certain qualifying conditions your ***eligible cohabiting partner*** is calculated on a different proportion i.e. 1/160th of the ***pensionable pay*** to which is added 49/160^{ths} of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

Leaving Before Retirement

For membership built up **before** 1 April 2015, the pension payable is equal to 1/160th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015 upon which your deferred pension is based.

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

If your membership in the LGPS includes a ***Guaranteed Minimum Pension (GMP)***, your wife's pension for that part of your membership prior to 6 April 1997 must not be less than half your ***GMP***. Your husband or ***civil partner's*** pension for that part of your membership prior to 6 April 1997 must not be less than half your ***GMP*** built up after 5 April 1988.

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

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

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

  One child would receive a pension calculated as follows:

  For each year of membership you built up **from** 1 April 2015 you were credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the **pensionable pay** you received during that year. The child's pension payable is calculated on a different proportion i.e. 1/320th of the ***pensionable pay*** to which is added 49/320ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

  For membership built up **before** 1 April 2015, the pension payable is equal to 1/320th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015 upon which your deferred pension is based.

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

  For each year of membership you built up **from** 1 April 2015 you were credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the **pensionable pay** you received during that year. The childrens' pension payable is calculated on a different proportion i.e. 1/160th of the ***pensionable pay*** to which is added 49/160ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement. The pension would be shared equally between the ***eligible children***.

For membership built up **before** 1 April 2015, the pension payable is equal to 1/160th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015 upon which your deferred pension is based. The pension would be shared equally between the ***eligible children***.

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

  One child would receive a pension calculated as follows:

  For each year of membership you built up **from** 1 April 2015 you were credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the ***pensionable pay*** you received during that year. The child's pension payable is calculated on a different proportion i.e. 1/240th of the ***pensionable pay*** to which is added 49/240ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

  For membership built up **before** 1 April 2015, the pension payable is equal to 1/240th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015 upon which your deferred pension is based.

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

  For each year of membership you built up **from** 1 April 2015 you were credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the ***pensionable pay*** you received during that year. The childrens' pension payable is calculated on a different proportion i.e.1/120th of the ***pensionable pay*** to which is added 49/120ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement. The pension would be shared equally between the ***eligible children***.

  For membership built up **before** 1 April 2015, the pension payable is equal to 1/120th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015 upon which your deferred pension is based. The pension would be shared equally between the ***eligible children***.

If you were a member of the LGPS before 1 April 2015 and **you paid additional regular contributions (ARCs) to buy extra LGPS pension** and you opted to pay for dependant's benefits when you took out your original contract, then extra benefits will be payable to your spouse, registered ***civil partner*** or ***eligible cohabiting partner*** and to ***eligible children***.

Who is the lump sum death grant paid to?

Your administering authority has absolute ***discretion*** over who receives any lump sum death grant; they can pay it to your nominee or personal representatives or to any person who appears, at any time, to have been your relative or dependant. The LGPS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning an expression of wish form. If any part of the death grant has not been paid within two years, it must be paid to your personal representatives, i.e. to your Estate.

If you have not already made your wishes known, or you wish to update / change a previous expression of wish, a form is available from our website www.highlandpensionfund.org or by contacting the Pension Section directly. Remember to complete a new form if your wishes change.

If you have paid AVCs and a lump sum is to be paid from the your AVC fund, your administering authority has absolute ***discretion*** over who to pay that sum to, provided you ceased membership of the LGPS on or after 1 April 2015. If you ceased membership before then, your administering authority must pay any AVC lump sum to your estate.

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

If you are joining another pension arrangement, you may wish to consider transferring your LGPS benefits to it. This may even be to an overseas pension scheme or arrangement that meets HM Revenue and Customs conditions. You cannot transfer your benefits (other than AVCs) if you leave less than one year before your ***Normal Pension Age***. An option to transfer must (other than in respect of AVCs) be made at least 12 months before your ***Normal Pension Age*** in the LGPS. (Normal Pension Age is defined by the scheme regulations in force at the time a member leaves the scheme). Therefore, in some cases a full 3 month guarantee cannot apply.

Your new pension provider will require a transfer value quotation which, under the provisions introduced by the Pensions Act 1995, your Pension Fund administrator will (other than in respect of AVCs) usually guarantee for a period of three months from the date of calculation (known as the 'Guarantee Date'). Your new pension provider can then advise you of the additional benefits the transfer will buy in their scheme. A written option to proceed with the guaranteed transfer value must be received within the three month guaranteed period (or a shorter period if this applies). If you opt to proceed, the normal time limit for payment of the guaranteed transfer value will be six months from the 'Guarantee Date'. If payment is not made within this period your Pension Fund administrator 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 2014 which comply with the requirements of the Pensions Schemes Act 1993.

If you are transferring from the LGPS (where benefits are termed 'safeguarded benefits') to an arrangement which is termed as offering 'flexible benefits' (i.e. those benefits offered by a defined contribution scheme which are flexible) then you must take appropriate independent financial advice before transferring. This is a legal requirement if the cash equivalent transfer value of all your benefits in the LGPS (excluding any ***Additional Voluntary Contributions (AVCs)***) is more than £30,000. If the cash equivalent transfer value of all your benefits in the LGPS (excluding any ***Additional Voluntary Contributions (AVCs)***) is £30,000 or less you are not legally required to take advice. However, transferring your pension rights is not always an easy decision to make and seeking the help of an independent financial adviser before you make a decision to transfer your deferred benefits (to a personal pension plan, stakeholder pension scheme, buy-out insurance policy or an employer's money purchase scheme) could help you in making an appropriate decision given your decision could significantly affect your future pension benefits.

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

If you are considering whether to transfer benefits, make sure you have full information about the two pension arrangements i.e. details of what your benefits are worth in the LGPS and details of what your benefits would be worth in the new pension scheme, if transferred. When you compare your options, don't forget that your LGPS benefits are guaranteed cost of living increases. However, transferring your pension rights is not always an easy decision to make and you may, therefore, wish to seek the help of an independent financial adviser before you make a decision to transfer your deferred benefits to a personal pension plan, stakeholder pension scheme, buy-out insurance policy or to an employer's money purchase scheme, as you will be bearing all of the investment risk which could significantly affect your future pension benefits.

Depending on the type of arrangement you are transferring to, your pension administrator may be required to carry out additional due diligence checks.

The introduction of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulation 2021 enables trustees and scheme managers to prevent or pause a transfer request to protect individuals against scams and by raising awareness and signposting them to the appropriate guidance.

The Pensions Regulator (TPR) has instructed pension administrators to carry out specific checks before complying with a member request to transfer. The checks determine whether the request meets TPR's conditions which allow a statutory right to transfer. There are certain circumstances, referred to as red and amber flags which mean that a statutory transfer can be paused or prevented, or, where a member must obtain guidance from MoneyHelper.

It's important that you get guidance or advice before making a decision about transferring your pension. The Pensions Advisory Service (TPAS) offers free guidance and will help answer any questions you may have.

Once a full transfer payment is made, you will not be entitled to any further benefits from the LGPS for yourself, your spouse, ***civil partner***, ***eligible cohabiting partner*** or ***eligible children.***

More information

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

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the section **Help with Pension Problems**.

Life Cover - Protection For Your Family

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

In this section we look at how these benefits work if you pay into the LGPS on or after 1 April 2015.

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

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

If you die in service as a member of the LGPS a lump sum death grant of three times your ***assumed pensionable pay*** at your date of death is paid, no matter how long you have been a member of the LGPS, provided you are under age 75 at the date of death.

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

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

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

If you die in service a survivor's pension is payable to a spouse, registered ***civil partner*** or, subject to certain qualifying conditions, an ***eligible cohabiting partner*** and to ***eligible children*** as shown below.

A survivor's pension
An ongoing pension is provided for your spouse (from an opposite sex or same sex marriage), registered ***civil partner*** or, subject to certain qualifying conditions, your ***eligible cohabiting partner***. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

For each year of membership you built up **from** 1 April 2015 to your date of death you would have been credited with a pension equal to a proportion (i.e. 1/49th or for any period you were in the 50/50 section of the scheme, 1/98th) of the ***pensionable pay*** you received during that year. The pension payable to your spouse, registered ***civil partner*** or ***eligible cohabiting partner*** is calculated on a different proportion i.e. 1/160th of your ***pensionable pay*** to which is added 49/160ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to 1/160th of your ***assumed pensionable pay*** for each year of membership you would have built up from your date of death to your ***Normal Pension Age***.

For membership built up **before** 1 April 2015 the pension payable is equal to 1/160th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015.

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

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

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

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

  One child would receive a pension calculated as follows:

  For each year of membership you built up **from** 1 April 2015 to your date of death you would have been credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the pensionable pay you received during that year. The child's pension payable is calculated on a different proportion i.e. 1/320th of your ***pensionable pay*** to which is added 49/320ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to 1/320th of your ***assumed pensionable pay*** for each year of membership you would have built up from your date of death to your ***Normal Pension Age***.

  For membership built up **before** 1 April 2015 the pension payable is equal to 1/320th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015.

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

  For each year of membership you built up **from** 1 April 2015 to your date of death you would have been credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the **pensionable pay** you received during that year. The childrens' pension payable is calculated on a different proportion i.e. 1/160th of your ***pensionable pay*** to which is added 49/160ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to 1/160th of your ***assumed pensionable pay*** for each year of membership you would have built up from your date of death to your ***Normal Pension Age***. The pension would be shared equally between the ***eligible children***.

  For membership built up **before** 1 April 2015 the pension payable is equal to 1/160th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015. The pension would be shared equally between the ***eligible children***.

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

  One child would receive a pension calculated as follows:

  For each year of membership you built up **from** 1 April 2015 to your date of death you would have been credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the ***pensionable pay*** you received during that year. The child's pension payable is calculated on a different proportion i.e. 1/240th of your ***pensionable pay*** to which is added 49/240ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to 1/240th of your ***assumed pensionable pay*** for each year of membership you would have built up from your date of death to your ***Normal Pension Age***.

  For membership built up **before** 1 April 2015 the pension payable is equal to 1/240th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015.

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

  For each year of membership you built up **from** 1 April 2015 to your date of death you would have been credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the ***pensionable pay*** you received during that year. The childrens' pension payable is calculated on a different proportion i.e. 1/120th of your ***pensionable pay*** to which is added 49/120ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement, plus an amount equal to 1/120th of your ***assumed pensionable pay*** for each year of membership you would have built up from your date of death to your ***Normal Pension Age***. The pension would be shared equally between the ***eligible children***.

  For membership built up **before** 1 April 2015 the pension payable is equal to 1/120th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015. The pension would be shared equally between the ***eligible children***.

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

If you were paying into the LGPS before 1 April 2009, and would, upon death, have qualified for an ill-health pension where your benefits would have been based on enhanced membership (i.e. a protection to ensure the ill health retirement benefits would be no less than they would have been under the scheme as it applied before 1 April 2009) then any survivor benefits to be paid would also benefit from this protection.

Life Cover - Protection For Your Family

If you die in service and:

- **you are paying, or have paid, additional contributions to buy extra LGPS pension by paying Additional Pension Contributions (APCs)** these will **not** count towards the value of any survivor's pension or children's pensions as they only count towards your pension.

- **you elected before 1 April 2015 to pay Additional Regular Contributions (ARCs)** then, provided you opted to pay for dependant's benefits when you took out your original contract, extra benefits will be payable to your spouse, ***civil partner*** or ***eligible cohabiting partner*** and to ***eligible children***. If you were still paying the ARCs at the date of death you will be deemed to have completed all payments. If you did not opt to pay for dependant's benefits when you took out your original ARC contract, then no extra benefits will be payable.

- **if you paying *Additional Voluntary Contributions (AVCs)*** arranged through the LGPS (in-house AVCs) the value of your AVC fund is payable as is the value of any extra life cover pension for your spouse, ***civil partner*** or ***eligible cohabiting partner*** and ***eligible children*** paid for through AVCs.

What benefits will be paid if I die after retiring on pension?

If you die after retiring on pension, your benefits will no longer be payable.
Your spouse, ***civil partner***, ***eligible cohabiting partner***, next-of-kin or person dealing with your Estate must immediately inform the Pension Section of your date of death as otherwise an overpayment could occur. Contact details can be found at front of this booklet.

The following benefits may then be payable on your death:

A lump sum death grant

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

- 10 times the level of your annual pension in respect of your membership of the scheme after 31 March 2015 (prior to giving up any pension for a tax free cash lump sum), less any pension already paid to you in respect of your post 31 March 2015 membership and the amount of any tax-free cash lump sum you chose to take by giving up some of the pension you built up after 31 March 2015 when you drew your pension at retirement.
- 10 times the level of your annual pension in respect of your membership of the scheme before 1 April 2015 (after giving up any pension for a tax free cash lump sum), less any pension already paid to you in respect of your pre 1 April 2015 membership.

However, if you are drawing a pension and are also an active member of the pension scheme and die in service, a death in service lump sum death grant of:
- the amount as calculated above, or, if higher
- three times your ***assumed pensionable pay***

will be payable.

A survivor's pension

A pension will be paid to your spouse (from an opposite sex or same sex marriage), registered ***civil partner*** or, subject to certain qualifying conditions, your ***eligible cohabiting partner***. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

For each year of membership you built up **from** 1 April 2015 you were credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the ***pensionable pay*** you received during that year (plus 1/49th of ***assumed pensionable pay*** for any enhancement given if retirement had been on ill-health grounds), The pension payable to your spouse, registered ***civil partner*** or ***eligible cohabiting partner*** is calculated on a different proportion i.e. 1/160th of the ***pensionable pay*** (or ***assumed pensionable pay*** where applicable) to which is added 49/160ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

For membership built up **before** 1 April 2015 the pension payable is equal to 1/160th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015 upon which your pension is based.

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

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

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

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

  One child would receive a pension calculated as follows:

  For each year of membership you built up **from** 1 April 2015 you were credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme 1/98th) of the ***pensionable pay*** you received during that year (plus 1/49th of ***assumed pensionable pay*** for any enhancement given if retirement had been on ill health grounds). The child's pension payable is calculated on a different proportion i.e. 1/320th of the ***pensionable pay*** (or ***assumed pensionable pay*** where applicable) to which is added 49/320ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

For membership built up **before** 1 April 2015 the pension payable is equal to 1/320th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015 upon which your pension is based.

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

For each year of membership you built up **from** 1 April 2015 you were credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the ***pensionable pay*** you received during that year (plus 1/49th of ***assumed pensionable pay*** for any enhancement given if retirement had been on ill health grounds). The childrens' pension payable is calculated on a different proportion i.e.1/160th of the ***pensionable pay*** (or ***assumed pensionable pay*** where applicable) to which is added 49/160ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement. The pension would be shared equally between the ***eligible children***.

For membership built up **before** 1 April 2015 the pension payable is equal to 1/160th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015 upon which your pension is based. The pension would be shared equally between the ***eligible children***.

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

  One child would receive a pension calculated as follows:

  For each year of membership you built up **from** 1 April 2015 you were credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the ***pensionable pay*** you received during that year (plus 1/49th of ***assumed pensionable pay*** for any enhancement given if retirement had been on ill health grounds). The child's pension payable is calculated on a different proportion i.e. 1/240th of the ***pensionable pay*** (or ***assumed pensionable pay*** where applicable) to which is added 49/240ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement.

  For membership built up **before** 1 April 2015 the pension payable is equal to 1/240th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015 upon which your pension is based.

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

  For each year of membership you built up **from** 1 April 2015 you were credited with a pension equal to a proportion (i.e. 1/49th or, for any period you were in the 50/50 section of the scheme, 1/98th) of the ***pensionable pay*** you received during that year (plus 1/49th of ***assumed pensionable pay*** for any enhancement given if retirement had been on ill health grounds). The childrens' pension payable is calculated on a different proportion i.e. 1/120th of the ***pensionable pay*** (or ***assumed pensionable pay*** where applicable) to which is added 49/120ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the scheme from another pension scheme or arrangement. The pension would be shared equally between the ***eligible children***.

For membership built up **before** 1 April 2015 the pension payable is equal to 1/120th of your ***career average pay*** times the period of your membership in the scheme up to 31 March 2015 upon which your pension is based. The pension would be shared equally between the ***eligible children***.

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

Who is the lump sum death grant paid to?

Your administering authority has absolute ***discretion*** over who receives any lump sum death grant; they can pay it to your nominee or personal representatives or to any person who appears, at any time, to have been your relative or dependant. The LGPS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning an expression of wish form. If any part of the death grant has not been paid within two years, it must be paid to your personal representatives, i.e. to your Estate.

If you have not already made your wishes known, or you wish to update / change a previous expression of wish, a form is available from our website www.highlandpensionfund.org or by contacting the Pension Section directly. Remember, you must complete a new form if your wishes change.

If you have paid AVCs and a lump sum is to be paid from the your AVC fund, your administering authority has absolute ***discretion*** over who to pay that sum to, provided you ceased membership of the LGPS on or after 1 April 2015. If you ceased membership before then, your administering authority must pay any AVC lump sum to your estate.

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

If you have a cohabiting partner, of either opposite or same sex, they will be entitled to receive a survivor's pension on your death if they meet the criteria to be considered to be an ***eligible cohabiting partner***. See the terms at the end of the guide for more details.

And …

- If your LGPS benefits are subject to a Pension Sharing Order issued by the Court following divorce or dissolution of a ***civil partnership***, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or agreement. In consequence, if you remarry, enter into a new ***civil partnership*** or have an ***eligible cohabiting partner***, any spouse's pension, ***civil partner’s pension*** or ***eligible cohabiting partner*’s** pension payable following your death will also be reduced. Benefits payable to ***eligible children*** will not, however, be reduced because of a Pension Sharing Order or a qualifying agreement in Scotland.

- If your membership in the LGPS includes a ***Guaranteed Minimum Pension (GMP)***, your wife's pension for that part of your membership prior to 6 April 1997 must not be less than half your ***GMP***. Your husband or ***civil partner's*** pension for that part of your membership prior to 6 April 1997 must not be less than half your ***GMP*** built up after 5 April 1988.

- Your personal representatives will need to inform HM Revenue and Customs if, with the lump sum death grant, the value of all your pension benefits – but not including any spouse's, ***civil partner's***, ***eligible cohabiting partner's*** or dependant's pensions you may have been entitled to - exceeds the HM Revenue and Customs lifetime allowance. Under HM Revenue and Customs rules, any excess will be subject to a recovery tax charge. Most scheme members' pension savings will be significantly less than the allowance. You can find more information on this from the section on **Tax Controls and Your LGPS Benefits.**

More information

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

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the section **Help with Pension Problems**.

Pensions and Divorce or Dissolution of a Civil Partnership

In this section, we look at what happens to your LGPS benefits if you get divorced or your civil partnership is dissolved.

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

You may wish to get legal advice from your solicitor on how to deal with your LGPS benefits during any divorce or dissolution of a ***civil partnership*** and you and your partner will need to consider how to treat your pension rights as part of any divorce/dissolution settlement.

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

- Your ex-spouse or ex-civil partner will cease to be entitled to a spouse's or ***civil partner's*** pension should you die before them.

- Any children's pension paid to an ***eligible child*** in the event of your death will not be affected by your divorce or dissolution.

- If you have said that you would like your ex-spouse or ex-civil partner to receive any lump sum death grant payable on your death by completing and returning an expression of wish form or your wishes have changed, it is important to keep us informed of your wishes by completing a new expression of wish form to confirm this. The Court may, however, issue an Earmarking Order stating that all or part of any lump sum death grant is payable to your ex-spouse or ex-civil partner.

What is the process to be followed?

You will need specific information about your LGPS benefits as part of the proceedings for a divorce, judicial separation or nullity of marriage, or for dissolution, separation or nullity of a ***civil partnership.*** You or your solicitor should contact your Pension Fund administrator for this information, including an estimate of the cash equivalent value (CEV) of your pension rights. The Court will take this value into account in your settlement. In Scotland, only the pension rights built up during your marriage / ***civil partnership*** are taken into account.

Any costs for supplying information or complying with a Court Order will be recovered from you and/or your ex-spouse or ex-civil partner in accordance with a schedule of charges available from your Pension Fund administrator.

All correspondence received by your Pension Fund administrator in connection with divorce or dissolution proceedings will be acknowledged in writing. If no acknowledgement is received, you should contact your Pension Fund administrator to ensure that your correspondence has been received.

The Court may offset the value of your pension rights against your other assets in the divorce/dissolution settlement or it may issue a Pension Sharing Order (qualifying agreements in Scotland) or an Earmarking Order against your pension.

Offsetting pension rights

You can offset the value of your pension rights against the value of other financial assets in your divorce/dissolution settlement. For example, you could keep your pension, and your ex-spouse or ex-civil partner could get a larger share of the value of the house.

Pension Sharing Order

If the Court issues a Pension Sharing Order, or your benefits are subject to a qualifying agreement in Scotland, part of your benefits are transferred into your ex-spouse's or ex-civil partner's possession. They will keep that share even if your or their circumstances change.

Your ex-spouse or ex-civil partner will hold those benefits in his / her own right. They can be left in the scheme and are normally paid from their ***Normal Pension Age***, or can be drawn on or after age 55 with a reduction for early payment, or can be transferred to another qualifying pension scheme. Your ex-spouse or ex-civil partner must draw their benefits before their 75th birthday.

Your pension and any lump sum will be reduced by the amount allocated to your ex-spouse or ex-civil partner at the point of divorce/dissolution.

The reduction to your benefits is known as a Pension Debit. The amount of the Pension Debit will be increased in line with the rise in the cost of living between the date it was first calculated and the date your benefits are paid. When your benefits are paid, the revalued amount of the Pension Debit will be deducted from your retirement benefits and will be adjusted if your benefits are paid before or after your ***Normal Pension Age***.

You may be able top up your benefits by buying extra scheme pension, through Additional Pension Contributions (APCs), paying ***Additional Voluntary Contributions (AVCs)*** or Free Standing AVCs (FSAVCs), or by paying into a concurrent personal pension plan or stakeholder pension scheme in order to make up for the benefits 'lost' following a Pension Share. You can find information on paying extra to increase your benefits from the section on **Contribution Flexibility**.

You can still transfer your remaining benefits to another pension arrangement on leaving the LGPS. If you transfer within the LGPS, your new fund will reduce your benefits by the Pension Debit at retirement.

In assessing the value of your benefits when you draw them against the value of all the pension savings you are allowed before you become subject to a tax charge (lifetime allowance), the reduced value of your benefits after the Pension Debit has been deducted will be used. The lifetime allowance for 2022/23 is £1,073,100.00. Most scheme members' pension savings will be significantly less than the lifetime allowance. If you are a high earner affected by the introduction of the lifetime allowance from 6 April 2006, a Pension Debit may affect any lifetime allowance protection you may have. Also, in assessing the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge (the Annual Allowance), the reduction in your benefits due to the Pension Debit is ignored in the ***scheme year*** that the Pension Sharing Order or qualifying agreement is applied to your benefits.

Pensions and Divorce or Dissolution of a Civil Partnership

You can find out more about these matters in the section **Tax Controls and Your LGPS Benefits.**

Earmarking Order

If the Court makes an Earmarking Order, your LGPS benefits still belong to you, but some are earmarked for your ex-spouse or ex-civil partner. The earmarked benefits will be paid to your ex-spouse or ex-civil partner when your benefits are paid, reducing the amount paid to you.

The Order can require that your ex-spouse or ex-civil partner receive one or a combination of the following:

- all or part of your LGPS pension (this doesn't apply to divorces / dissolutions in Scotland)
- all or part of any lump sum[9] payable to you, and
- all or part of any lump sum payable on your death.

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

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

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

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

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

If you remarry or enter into a new ***civil partnership*** and then divorce or dissolve your ***civil partnership*** again, your remaining pension rights can be subject to further division, although a Pension Sharing Order cannot be issued if an Earmarking Order has already been issued against your LGPS pension rights. Similarly, an Earmarking Order cannot be issued if your pension benefits are already subject to a Pension Sharing Order in respect of the marriage / ***civil partnership***.

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[9] The Court can order that you commute your pension, up to the maximum amount permitted, into a lump sum (but this power does not apply to divorces / dissolutions in Scotland)

More information

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

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the section **Help with Pension Problems**.

Tax Controls and Your LGPS Benefits

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

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

There are controls on the total amount of contributions you can make into all pension arrangements and receive tax relief and on the pension savings you can have before you become subject to a tax charge. This is in addition to any tax due under the PAYE system on your pension once it is in payment.

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

There are two main allowances for pension savings – an annual allowance and a lifetime allowance. There are also protections for benefits earned up to 5 April 2006 if you are a high earner affected by the introduction of the lifetime allowance from 6 April 2006.

Most people will be able to save as much as they wish as their pension savings will be less than the allowances.

Are there any limits on how much I can pay in contributions?

At the present time there is no overall limit on the amount of contributions you can pay, although there is a limit of £7,075 on the extra LGPS pension you can buy by payment of Additional Pension Contributions (APCs). Although there is no overall limit on the amount of contributions you can pay to all schemes, tax relief will only be given on contributions up to a total of 100% of your taxable earnings in a tax year (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme).

What are the tax controls on my pension savings?

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

Annual allowance - Standard rules

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

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

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

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 2022 onwards	£40,000 (unless tapering applies)

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

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

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

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

Carry forward

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

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

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

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

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

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

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

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

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

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

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.

b) in subsequent years:
- if your contributions to a money purchase (defined contribution) scheme do not exceed the MPAA, your pension savings will be tested against the normal annual allowance figure, or
- if your contributions to a money purchase (defined contribution) scheme do exceed the MPAA, your annual allowance charge will be based on any money purchase (defined contribution) savings for the year in excess of the MPAA, plus the value of any defined benefit savings in excess of the alternative annual allowance. 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 are subject to an annual allowance of £10,000 and your defined benefit savings to an annual allowance of £30,000.

"Flexible access" means taking a cash amount over the tax-free lump sum from a flexi-access drawdown account; taking an uncrystallised funds pension lump sum (UFPLS); purchasing a flexible annuity; taking a scheme pension from a defined contribution scheme with fewer than 12 pensioner members or taking a stand-alone lump sum[10] if you have primary but not enhanced protection.

Please note:
If you have elected to transfer pension rights from another scheme into the LGPS, the value of the benefits relating to the transfer does not count towards your pension savings in the LGPS in the year in which the transfer payment is received except in the case of a transfer under ***Club transfer rules***[11].

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

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

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

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

If you exceed the annual allowance in any year you are responsible for reporting this to HMRC on your self-assessment tax return. Your Pension Fund administrator 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

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

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

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 Fund administrator before you become entitled to those benefits. Your Pension Fund administrator will be able to tell you more about this and the time limits that apply.

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

Tapered Annual Allowance for higher earners

From the tax year 2016/17 the Annual Allowance is be tapered for members who have a 'Threshold Income' in excess of £110,000, and 'Adjusted Income' in excess of £150,000. For every £2 that your Adjusted Income exceeds £150,000, your Annual Allowance limit will be 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 e.g. property income, savings income, dividend income, pension income, social security income (where taxable), state pension income etc.

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

How does the taper work?
From 6 April 2016, the taper will reduce the Annual Allowance limit by £1 for £2 of adjusted income received over £150,000, until a minimum Annual Allowance limit of £10,000 is reached. This means that from 6 April 2016 the Annual Allowance for high earners will be 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 2016/17	£120,000	
Less employee pension contributions	£13,680	11.4%
Threshold Income 2016/17	£106,320	Below £110,000 so the AA 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 2016/17	£130,000	
Less employee pension contributions	£14,820	11.4%
Plus taxable income from property	£30,000	
Threshold Income 2016/17	£145,180	
Plus pensions saving in the year	£42,449	
Adjusted Income 2016/17	£187,629	Greater than £150,000 so AA will be tapered
Tapered AA	£21,185*	
In excess of AA	£21,264	Pension saving of £30,000 less tapered AA
AA tax charge at marginal rate (assumed to be 40%)	**£8,505**	£21,264 x 40%

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

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

Lifetime Allowance

The lifetime allowance is the total value of all pension benefits you can have without triggering an excess benefits tax charge. If the value of your pension benefits when you draw them (not including any state retirement pension, state pension credit or any spouse's, ***civil partner's***, ***eligible cohabiting partner's*** or dependant's pension you may be entitled to) is more than the lifetime allowance, or more than any protections you may have (see below), you will have to pay tax on the excess benefits. **The lifetime allowance covers any pension benefits you may have in all tax-registered pension arrangements – not just the LGPS.**

The lifetime allowance was introduced in 2006 and was reduced in 2012, 2014 and again in 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 protection certificate. These protections are covered in more detail later in this booklet.

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

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
2020/21 (fixed until 2025/26)	£1,0731 million

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

For pensions already in payment before 6 April 2006, the capital value of these is calculated by multiplying the current annual rate, including any pensions increase, by 25. Any lump sum already paid is ignored in the valuation.

When any LGPS benefit, or any other pension arrangement you may have, is put into payment you use up some of your lifetime allowance – so even if your pensions are small and will not be more than the lifetime allowance you should keep a record of any pensions you receive. If you have a pension in payment before 6 April 2006, this will be treated as having used up part of your lifetime allowance.

If your LGPS benefits are more than your lifetime allowance you will have to pay tax on the excess. If excess benefits are paid as a pension the charge will be 25%, with income tax deducted on the ongoing pension payments; if the excess benefits are taken as a lump sum they will be taxed once only at 55%.

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

Primary lifetime allowance protection

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

If the value of your pension benefits at 5 April 2006 was more than the 2006/07 lifetime allowance of £1.5million and you have registered for primary protection, you have an individual lifetime allowance based on how much your benefits at 5 April 2006 exceeded the value of the 2006/07 standard lifetime allowance. Your individual lifetime allowance increases at the same rate as the standard lifetime allowance. So, if your benefits at 5 April 2006 exceeded the 2006/07 standard lifetime allowance by 10%, your individual lifetime allowance will always be 10% higher than whatever the standard lifetime allowance is in future years.

If your pension rights are shared on divorce or dissolution of a ***civil partnership*** this will result in the individual lifetime allowance being reduced (or lost if it reduces to below the standard lifetime allowance).

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

Enhanced protection

You could register for enhanced protection (as well as primary protection) if the value of your pension benefits at 5 April 2006 was more than the 2006/07 lifetime allowance of £1.5million. You could also register for enhanced protection if you believed the value of those benefits might in the future be more than the standard lifetime allowance or if you believed your pension benefits in any one year would increase by more than the annual allowance. Under enhanced protection you will not pay tax on benefits in excess of the lifetime allowance provided your benefits at retirement do not exceed the value of your benefits at 5 April 2006 as increased after then, in general terms, by the greater of 5% per annum, the increase in the cost of living or increases in your ***pensionable pay***. If the limit is exceeded you will pay tax on the excess. You will lose enhanced protection if you pay contributions into a money purchase pension arrangement (e.g. pay into the LGPS arranged ***AVC*** facility[12]) or if you start a new pension arrangement, or if you transfer your LGPS benefits to another defined benefit pension scheme. You can also voluntarily give up enhanced protection by giving notice that you no longer wish to keep it.

If you lose enhanced protection you must notify HMRC within 90 days. Failure to do so could result in a fine of up to £3,000.

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

Transitional Protection: Lump Sums

If you were in the LGPS before 1 April 2009, you will be entitled to an automatic lump sum from the LGPS when you draw your benefits, in addition to your pension. There are two types of lump sum protection available. These relate to members who, at 5 April 2006, either:

- had built up a lump sum of £375,000 or more and the member has applied for primary and/or enhanced protection, or
- had built up a lump sum that was more than 25% of the value of any pension rights not in payment at that time.

[12] You will not lose enhanced protection if you are paying ***AVCs*** at 5 April 2006 purely for extra life cover and carry on doing so after that date provided the terms are not varied significantly from those that applied under the policy at 5 April 2006 so as to increase the level of life cover or extend the period during which such benefits are payable e.g. you do not adjust the premiums to purchase increased life cover.

It is expected that very few (if any) LGPS members will have built up lump sums that meet either of these limits. Information on the protection can be found on the HMRC website: https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm092100

Fixed Protection

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

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

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

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

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

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

Fixed Protection 2014

The lifetime allowance reduced to £1.25 million in 2014/15 and a new protection called fixed protection 2014 was introduced. If you expect your pension savings to be more than £1.25 million (including taking into account past benefits already in payment) when you come to take them on or after 6 April 2014 you can use fixed protection 2014 to help reduce or mitigate the lifetime allowance charge. You can't have fixed protection 2014 if you already have primary, enhanced or fixed protection. With fixed protection 2014 your lifetime allowance is fixed at £1.5 million rather than the new standard lifetime allowance of £1.25 million.

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

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

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

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

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

Individual protection 2014

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

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

Your application for individual protection 2014 must be received by HM Revenue and Customs (HMRC) no later than 5 April 2017.

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

For more information on individual protection 2014 see:
https://www.gov.uk/government/publications/pensions-individual-protection-2014

Fixed Protection 2016

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

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

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

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

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

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

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

Individual Protection 2016

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

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

Applying for Fixed and Individual Protection 2016

HMRC have introduced an online self-service for pension scheme members to apply for individual protection 2016 (IP2016) or fixed protection 2016 (FP2016). You will no longer receive a lifetime allowance protection certificate, instead once you have successfully applied for protection the online service will provide you with a reference number which you will need to keep.

More information

You pension administrator is not able to offer tax advice. Tax is a personal responsibility and you are recommended to speak to an independent tax advisor who is licensed to provide specialist pension tax advice.

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

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the section **Help with Pension Problems**.

Help with Pension Problems

In this section we look at what you can do if you are not happy about a decision made about your LGPS pension position.

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

If you are in any doubt about your LGPS benefit entitlements or have a problem or question about your LGPS membership or benefits, please contact the Pensions Section. Contact details can be found at the front of this booklet. We will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.

If your query is about your contribution rate, please contact your council's payroll section so they can explain how they have decided which contribution band you are in.

If you are still dissatisfied with any decision made in relation to the scheme you have the right to have your complaint reviewed under the scheme's Internal Disputes Resolution Procedure. There are also a number of other regulatory bodies that may be able to assist you.

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

- **Internal Disputes Resolution Procedure**

  In the first instance you should write to the person nominated by the body who made the decision about which you wish to appeal. You must do this within six months of the date of the notification of the decision or the act or omission about which you are complaining (or such longer period as the nominated person considers reasonable). This is a formal review of the initial decision or act or omission and is an opportunity for the matter to be reconsidered. The nominated person will consider your complaint and notify you of his or her decision.

  If you are dissatisfied with that person's decision (or their failure to make a decision), you may apply to the Scottish Ministers for them to consider your complaint.

  A more detailed leaflet on the Internal Disputes Resolution Procedure and relevant time limits can be viewed on our website www.highlandpensionfund.org or a copy can be obtained from the pension section directly. Contact details can be found at the front of this booklet.

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

  In writing: 120 Holborn, London, EC1N 2TD
  By telephone: 0800 011 3797
  Website: www.pensionsadvisoryservice.org.uk (where you can submit an online enquiry form).

Help with Pension Problems

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

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

  You have the right to refer your complaint to the TPO free of charge. There is no financial limit on the amount of money that TPO can award. 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 new about it (or ought to have known about it). There is a discretion for those time limits to be extended.

  TPO can be contacted:

  In writing: 10 South Colonnade, Canary Wharf, E14 4PU
  By telephone: 0800 917 4487
  Website: www.pensions-ombudsman.org.uk (where you can submit an online complaint form)

- **The Pensions Regulator**

  Website: www.thepensionsregulator.gov.uk
  This is the regulator of work-based pension schemes. The Pensions Regulator has powers to protect members of work-based pension schemes and a wide range of powers to help put matters right, where needed. In extreme cases, the regulator is able to fine trustees or employers, and remove trustees from a scheme. You can contact the Pensions Regulator:

  By telephone 0345 6007060
  Website: www.thepensionsregulator.gov.uk

Help with Pension Problems

How can I trace my pension rights?

The Pension Tracing Service holds details of pension schemes, including the LGPS, together with contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their dependants) who have lost touch with previous schemes. All occupational and personal pension schemes have to register if the pension scheme has current members contributing to the scheme or people expecting benefits from the scheme. If you need to use this tracing service:

Write to: The Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU
Telephone: 0800 731 0193

Website: www.gov.uk/find-lost-pension

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

More information

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

The national web site for members of the LGPS who contribute to the scheme on or after 1 April 2015 can be found at www.scotlgps2015.org.

If you joined the LGPS before 1 April 2015

The Local Government Pension Scheme (LGPS) changed on the 1 April 2015.

All benefits built up in the LGPS for membership after 31 March 2015 are worked out under the rules of the new career average scheme.

However, if you joined the scheme before 1 April 2015 you will also have built up benefits in earlier career average scheme for Councillors. In this section we will look at how benefits in the earlier career average scheme are worked out, when they are payable and the protections in place for members in the scheme before it changed on 1 April 2015.

Your benefits in the LGPS built up before 1 April 2015 are based on your membership in the scheme up to 31 March 2015 and your ***career average pay*** when you leave the scheme although the benefits based on membership to 31 March 2009 are calculated slightly differently to benefits based on membership between 1 April 2009 and 31 March 2015.

How are benefits worked out?

For membership built up to 31 March 2009, you receive a pension of 1/80th of your ***career average pay*** plus an automatic tax-free lump sum of 3 times your pension.

For membership built up from 1 April 2009 to 31 March 2015, you receive a pension of 1/60th of your ***career average pay***. There is no automatic lump sum for membership built up after March 2009, but you do have the option to exchange some of your pension for a tax-free lump sum.

For membership built up from 1 April 2015, every year you will build up a pension at a rate of 1/49th of the amount of ***pensionable pay*** you received in that ***scheme year*** if you are in the main section of the scheme (or half this rate of build up for any period you have elected to be in the 50/50 section of the scheme). This pension is then added to your ***pension account*** and revalued at the end of each ***scheme year*** so your pension keeps up with the cost of living.

Here is an example of how benefits are worked out if you have membership from before 31 March 2009 onwards.

Let's look at a Councillor who has:

4 years membership up to 31 March 2009
6 years membership from 1 April 2009 to 31 March 2015
3 years membership from 1 April 2015 until they retire at age 65

Their ***career average pay*** for benefits in the earlier career average scheme is £24,000.

Benefits based on their 4 years membership up to 31 March 2009
Their **annual pension** is:
4/80^{ths} x £24,000 = **£1,200**
Plus an **automatic tax-free lump sum:**
3 x 4/80^{ths} x £24,000 = **£3,600**

If you joined the LGPS before 1 April 2015

Benefits based on their 6 years membership from 1 April 2009 to 31 March 2015

Their **annual pension** is:
6/60^{ths} x £24,000 = **£2,400**

Benefits based on their 3 years membership from 1 April 2015 (in main section throughout)

Year	Opening Balance	Pension built up in year	Total Account 31 March	Cost of living adjustment	Updated Total Account
1	£0.00	£25,200/ 49 = **£514.29**	£514.29	£10.28 (2%)	£524.57
2	£524.57	£25,700/ 49 = **£524.49**	£1,049.06	£10.49 (1%)	£1,059.55
3	£1,059.55	£26,000/ 49 = **£530.61**	£1,590.16	£7.95 (0.5%)	**£1,598.11**

To give total benefits of:

An **annual pension**
£1,200 plus £2,400 plus £1,598.11 = **£5,198.11**

Plus an **automatic tax-free lump sum** = **£3,600**

But remember that you can choose to exchange some of your pension for extra tax-free lump sum. You can take up to 25% of the capital value of your LGPS benefits as a lump sum[13]. For every £1 of annual pension that you give up you will receive an extra £12 lump sum.

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

What counts towards career average pay to work out my benefits in the LGPS before 1 April 2015?

Whilst the scheme changed on 1 April 2015, protection is in place to ensure that, when you leave, your ***career average pay*** is used to work out your pension for the membership you built up to 31 March 2015.

The definition of ***career average pay*** for benefits built up before 1 April 2015 remains the same as before the scheme changed on 1 April 2015.

Career Average Pay for pre 1 April 2015 benefits

Your ***career average pay*** is the average of your revalued pay over your period of LGPS membership.

[13] Limited to £268,275 (2021/22 figure) or if you have previously taken payment of (crystallised) pension benefits 25% of your remaining lifetime allowance.

If you joined the LGPS before 1 April 2015

When you leave or retire, an average of your revalued pay over the whole period of your LGPS membership, including pre and post 1 April 2015 membership, will be used to work out your pension benefits for your membership built up to 31 March 2015.

Each year's pay is increased using the ***Retail Prices Index (RPI)*** and the total is divided by your membership to calculate your ***career average pay***. This is the figure used to calculate your pension benefits built up to 31 March 2015.

For example let's assume a councillor was in the scheme for 4 years 11 months from 1 April 2011 to 29 February 2016. Their ***career average pay*** is used to work out their benefits in the scheme up to 31 March 2015 but is based on their pay up to the date they leave.

Year	**Pay**	**RPI increase**	**Revalued Pay**
1 April 2011 to 31 March 2012	£16,500	£1,315.05 (7.97%)*	£17,815.05
1 April 2012 to 31 March 2013	£18,600	£844.44 (4.54%)*	£19,444.44
1 April 2013 to 31 March 2014	£22,000	£448.80 (2.04 %)*	£22,448.80
1 April 2014 to 31 March 2015	£24,000	£271.20 (1.13%)*	£24,271.20
1 April 2015 to 29 February 2016	£26,000 x 11/12	£0.00 (0%)*	£23,833.33
Career average pay (£17,815.05 + £19,444.44 + £22,448.80 + £24,271.20 + £23,833.33) divided by 4 years 11/12 months = **£21,928.03**			

* **Please note** that pay for each year or part year ending 31st March is adjusted (other than the final year's pay) by the change in the cost of living, as measured by RPI between the end of that year and the last day of the month in which membership of the scheme ends. The total revalued pay is then divided by the period of membership to calculate the career average pay. This figure is then used to calculate pension benefits.

What if I am paying extra?

Also included in your pre 1 April 2015 benefits are the following:

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

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

But if you are paying ARCs when you retire and qualify for the type of ill health pension where your benefits are based on enhanced membership, you will be credited with all the extra pension that you set out to buy, even if you have not completed full payment for it.

If you draw your benefits before age 65 (other than on the grounds of permanent ill health), the extra pension you have bought through an ARC will be reduced for early payment.

You can choose to exchange some of the extra pension you have bought for a cash lump sum in the same way as your main LGPS pension.

If you joined the LGPS before 1 April 2015

If you are paying *Additional Voluntary Contributions (AVCs)* arranged through the LGPS (in-house AVCs) and elected to take the contract out before 1 April 2015

For AVC contracts taken out before 1 April 2015 you can continue to pay up to 100% of your pay into your in-house AVC in each office or job where you pay into the LGPS.

Your contributions will cease when you cease to contribute to the LGPS (or cease two days before age 75 if you carry on in office beyond that age).

Here are the different ways you may be able to use your in-house AVC Fund when you retire:

- **Buy one or annuities**

  This is where an insurance company, bank or building society of your choice takes your AVC Fund and pays you a pension in return.

  You can do this at the same time as you take your LGPS benefits or you may be able to choose to delay payment until any time up to the eve of your 75th birthday.

  An annuity is paid completely separately from your LGPS benefits.

  The amount of annuity depends on several factors, such as interest rates and your age. You also have some choice over the type of annuity, for example whether you want a flat-rate pension or one that increases each year, and whether you also want to provide for dependants' benefits in the event of your death.

  Annuities are subject to annuity rates which in turn are affected by interest rates.

  When interest rates rise, the organisation selling annuities is able to obtain a greater income from each pound in your AVC fund, and therefore can provide a higher pension. A fall in interest rates reduces the pension which can be purchased.

- **Buy a Top-up LGPS Pension**

  If you retire with immediate payment of your benefits you may be able to use some or all of your AVC fund to buy a top-up pension from the LGPS. This automatically provides inflation-proofed pension and dependants' benefits and is based on set purchase factors which can vary from time to time.

- **Take your AVCs as cash**
  You can take some or all of your AVC fund as a tax-free cash lump sum[14] but you can only take it all as a lump sum if you draw it at the same time as your main LGPS benefits and **provided**, when added to your LGPS lump sum, it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund).

[14] Provided, when added to your LGPS lump sum, it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund) and the total lump sum does not exceed £268,275 ((2021/22 figure), or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

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

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

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

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

  Impartial pension guidance is available from the Government's guidance website MoneyHelper (previously known as Pension Wise) if you are considering taking flexible benefits. The guidance is free and impartial and can be accessed on the internet, by phone, or face to face. For more information or to book a MoneyHelper appointment, visit their website at: https://www.moneyhelper.org.uk.

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

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

Details of these options will be given to you shortly before your retirement.

If you leave before retirement, your contributions will cease when you leave. The value of your AVC fund will continue to be invested until it is paid out. Your AVC plan is similar to your main LGPS benefits: it can be transferred to another pension arrangement or drawn at the same time as your LGPS benefits.

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

If you are paying for extra life cover through AVCs

Any extra life cover paid for through AVCs will stop on leaving (or cease two days before age 75 if you carry on in office beyond that age). You can no longer pay AVCs after leaving / after age 75.

If you joined the LGPS before 1 April 2015

When can I draw my LGPS benefits built up before 1 April 2015?

Whilst the scheme changed on 1 April 2015, protection is in place if you built up benefits in the earlier career average scheme which means that the ***Normal Pension Age*** for these benefits is protected and remains age 65.

If you retire and draw all of your pension at your protected ***Normal Pension Age***, the pension built up in the scheme before 1 April 2015 will be paid in full.

If you choose to take your pension before your protected ***Normal Pension Age*** the pension you have built up in the scheme before 1 April 2015 will be reduced, as it's being paid earlier. If you take it later than your protected ***Normal Pension Age*** it will be increased because it's being paid later. The amount of any reduction or increase will be based on how many years earlier or later than your protected ***Normal Pension Age*** you draw the pension you have built up in the scheme to 31 March 2015.

Benefits built up from 1 April 2015 have a ***Normal Pension Age*** linked to your ***State Pension Age*** (but with a minimum age of 65). For more details see the section **Your Pension**.

Please note that you cannot take your benefits built up to 31 March 2015 separately from the benefits you build up from 1 April 2015. All your pension would have to be drawn at the same time.

What reductions are applied to my benefits built up before 1 April 2015 if I draw them before my protected Normal Pension Age?

If you choose to retire before your protected ***Normal Pension Age*** your benefits built up before 1 April 2015 will be reduced to take account of being paid for longer. Your benefits are initially calculated as detailed under the heading **How are benefits worked out?** above, and are then reduced. How much your benefits are reduced by depends on how early you draw them.

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

As a guide, the percentage reductions (effective from 12/03/2019), for retirements up to 13 years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

If you joined the LGPS before 1 April 2015

Years Early	Pension Reduction (%) Males	Pension Reduction (%) Females	Retirement Grant Reduction (%) All Members
0	0.0%	0.0%	0.0%
1	5.4%	5.4%	2.3%
2	10.4%	10.4%	4.6%
3	14.9%	14.9%	6.9%
4	19.2%	19.2%	9.1%
5	23.1%	23.1%	11.2%
6	26.8%	26.8%	13.3%
7	30.2%	30.2%	15.3%
8	33.3%	33.3%	17.3%
9	36.2%	36.2%	19.2%
10	39.0%	39.0%	21.1%
11	43.0%	43.0%	N/A
12	45.5%	45.5%	N/A
13	47.8%	47.8%	N/A

The number of years early used to determine the reduction applied to your benefits built up before 1 April 2015 is the number of years earlier than your protected ***Normal Pension Age***, which for almost all members is age 65.

*The maximum reduction that can be applied to your automatic lump sum for membership to 31 March 2009 is 10 years as the protected ***Normal Pension Age*** for almost all members is 65, and the earliest that virtually all members can choose to draw their pension is from age 55.

You can reduce or avoid the reductions by not taking immediate payment of your benefits on retirement i.e. by delaying payment until a later date. If you decide not to draw immediate benefits, the benefits built up before 1 April 2015 would normally become payable unreduced at your protected ***Normal Pension Age*** (age 65) and the benefits built up on or after 1 April 2015 would normally become payable unreduced at your ***Normal Pension Age***. You can defer payment beyond that age, although benefits must be paid by age 75. Remember you must draw all your pension (both pre 1 April 2015 and post 31 March 2015 benefits) at the same time.

What increase is applied to my benefits built up before 1 April 2015 if I draw them after age 65?

The benefits you have built up before 1 April 2015 will be increased if you draw them after age 65. The increase is calculated in accordance with guidance issued by Scottish Ministers from time to time. The increase is based on the length of time (in years and days) that you draw your pension after age 65. The later you draw your pension, the greater the increase.

The percentage increases that apply to retirements on or after 24th June 2017 are shown in the table below. The table shows the increases applicable where you draw your pension later (up to 10 years) than your ***Normal Pension Age***. Where the number of years is not exact, the increase percentages are adjusted accordingly.

If you joined the LGPS before 1 April 2015

Years late	*Pension Increase (%)*	*Retirement Grant Increase (%)*
0	0.000%	0.000%
1	0.010%	0.001%
2	0.011%	0.001%
3	0.013%	0.001%
4	0.014%	0.001%
5	0.015%	0.001%
6	0.017%	0.001%
7	0.019%	0.001%
8	0.021%	0.001%
9	0.023%	0.001%
10	0.025%	0.001%

Remember that your pension has to be paid by your 75th birthday. Also, all pension benefits, if drawn voluntarily, must be drawn at the same time, irrespective of whether they were built up in the earlier or new career average schemes.

Ill health Retirement

You are not entitled to immediate payment of ill health pension benefits if your ill-health retirement occurs after 31 March 2015 and you do not meet the 2 years ***vesting period***. You will, instead, be entitled to a refund of your contributions or, provided you have at least 3 months' membership, you can transfer your benefits to another pension scheme.

If you were paying into the LGPS before 1 April 2009, then if you qualify for an ill-health pension where your benefits are based on enhanced membership there is protection to ensure your ill health retirement benefits are no less than they would have been under the scheme as it applied before 1 April 2009.

Additional protection if you are nearing retirement

If you were a member of the scheme before 1 April 2015 there are additional protections in place if you are nearing retirement. This is to ensure that you will get a pension at least equal to that which you would have received in the scheme had it not changed on 1 April 2015. This protection is known as the **underpin.**

The **underpin** applies to you if you were:

- an active member on 31 March 2012, and
- you are within 10 years of your protected ***Normal Pension Age*** on 1 April 2012, and

- you haven't had a continuous break in active membership of a ***public service pension scheme*** of more than 5 years (after 31 March 2012),
- you've not drawn any benefits in the LGPS before protected ***Normal Pension Age***, and
- you leave with an immediate entitlement to benefits.

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

If you are covered by the underpin a calculation will be performed at the date you cease to contribute to the Scheme, or at your protected ***Normal Pension Age*** if earlier, to check that the pension you have built up (or, if you have been in the 50/50 section of the scheme at any time, the pension you would have built up had you always been in the main section of the scheme) is at least equal to that which you would have received had the scheme not changed on 1 April 2015. If it isn't, the difference will be added into your ***pension account*** when you draw your benefits.

When you die the value of any increase added to your ***pension account*** because of the underpin will also have an impact (at the relevant rate) on the value of any pension for your **spouse, *civil partner*, *eligible cohabiting partner*** or ***eligible children*****.**

Your Pension Fund administrator will carry out this underpin check if you meet the criteria above.

More information

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

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the section **Help with Pension Problems**.

Some Terms We Use

Where pension terms are used, they appear in ***bold italic*** type.

Additional Voluntary Contributions (AVCs)
These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover.

All local government pension funds have an AVC arrangement in which you can invest money through an AVC provider, often an insurance company or building society. AVCs are deducted directly from your pay and attract tax relief.

Assumed Pensionable Pay
This provides a notional ***pensionable pay*** figure used to work out the lump sum death grant (if you die in service), any enhancement awarded as a result of ill health retirement, or any enhancement which is included in survivor benefits (if you die in service).

The ***assumed pensionable pay*** is calculated as the average of the ***pensionable pay*** you received for the 12 weeks (or 3 months if monthly paid) before you died in service or before you left employment due to ill-health retirement, grossed up to an annual figure.

Career average pay
This is the average of your revalued pay over your period of LGPS membership used to work out your benefits in the earlier career average scheme up to 31 March 2015.
Your pay for each year or part year ending 31st March is adjusted (other than the final year's pay) by the change in the cost of living, as measured by ***RPI***, between the end of that year and the last day of the month in which your membership of the scheme ends. The total of your revalued pay is then divided by your period of membership to calculate your career average pay. This is the figure used to calculate your pension benefits built up to 31 March 2015.

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, up until 5 April 2016, prior to ***State Pension Age*** you paid reduced National Insurance contributions between certain thresholds (unless you had opted to pay the married woman's/widow's reduced rate of National Insurance). The LGPS guarantees to pay you a ***Guaranteed Minimum Pension (GMP)*** for being ***contracted out*** of the ***State Earning Related Pension Scheme (SERPS)***.

From 6 April 2016 the 'contracted out' status ceased to exist for all pension schemes due to the introduction of the new single tier State Pension. Therefore, from 6 April 2016 members of the LGPS pay the standard rate of National Insurance.

Consumer Prices Index (CPI)
The ***Consumer Price Index (CPI)*** is the official measure of inflation of consumer prices in the United Kingdom. This is currently the measure used to adjust your ***pension account*** at the end of every ***scheme year*** when you are an active member of the

scheme and, after you have ceased to be an active member, it is used to increase (each April) the value of your deferred pension in the scheme and any pension in payment from the scheme. The adjustment ensures your pension keeps up with the cost of living.

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 are obliged to consider how to exercise their ***discretion*** and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their ***discretion***. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review. You may ask your council or your administering authority what their policy is in relation to a ***discretion***.

Eligible children

Eligible children are your children. They must, at the date of your death:

- be your natural child (who must be born within 12 months of your death), or
- be your adopted child, or
- be your step-child or a child accepted by you as being a member of your family (this doesn't include a child you sponsor for charity) and be dependent on you.

Eligible children must meet the following conditions:

- be under age 18, or
- be aged 18 or over and under 23 and in full-time education or vocational training (although your administering authority can continue to treat the child as an eligible child notwithstanding a break in full-time education or vocational training), or
- be unable to engage in gainful employment because of physical or mental impairment and either:
  - has not reached the age of 23, or
  - the impairment is, in the opinion of an independent registered medical practitioner, likely to be permanent and the child was dependent on you at the date of your death because of that mental or physical impairment.

Eligible cohabiting partner

An ***eligible cohabiting partner*** is a partner you are living with who, at the date of your death, has met all of the following conditions for a continuous period of at least 2 years:

- you and your cohabiting partner are, and have been, free to marry each other or enter into a ***civil partnership*** with each other, and
- you and your cohabiting partner have been living together as if you were a married couple, or ***civil partners***, and
- neither you or your cohabiting partner have been living with someone else as if you/they were a married couple or ***civil partners***, and
- either your cohabiting partner is, and has been, financially dependent on you or you are, and have been, financially interdependent on each other.

Your partner is financially dependent on you if you have the highest income. Financially interdependent means that you rely on your joint finances to support your standard of living. It doesn't mean that you need to be contributing equally. For example, if your partner's income is a lot more than yours, he or she may pay the mortgage and most of the bills, and you may pay for the weekly shopping.

On your death, a survivor's pension would be paid to your cohabiting partner if:

- all of the above criteria apply at the date of your death, and
- your cohabiting partner satisfies your administering authority that the above conditions had been met for a continuous period of at least 2 years immediately prior to your death.

You are not required to complete a form to nominate a cohabiting partner for entitlement to a cohabiting partner's pension. However, you can provide your Pension Fund administrator with your cohabiting partner's details. Your Pension Fund administrator will require evidence upon your death to check that the conditions for a cohabiting partner's pension are met.

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).***

Lower Earnings Limit
This is the amount of pay that you can receive before you pay any National Insurance contributions. The ***Lower Earnings Limit*** for 2018/19 is £116 per week. It is usually increased annually by Parliament.

Normal Pension Age
Normal Pension Age is linked to your ***State Pension Age*** for benefits built up from April 2015 (but with a minimum of age 65) and is the age at which you can take the pension you have built up in full. If you choose to take your pension before your ***Normal Pension Age*** it will be reduced, as it's being paid earlier. If you take it later than your ***Normal Pension Age*** it's increased because it's being paid later.

You can use the Government's ***State Pension Age*** calculator (www.gov.uk/calculate-state-pension) to find out your ***State Pension Age***.

Remember that your ***State Pension Age*** may change in the future and this would also change your ***Normal Pension Age*** in the LGPS for benefits built up from April 2015. Once you start drawing your pension any subsequent change to your ***State Pension Age*** will not affect your ***Normal Pension Age*** in the LGPS.

If you were paying into the LGPS before 1 April 2015 your earlier career average benefits retain their protected ***Normal Pension Age*** (age 65). However all pension benefits drawn on normal retirement must be taken at the same date i.e. you cannot separately draw your earlier career average benefits (built up before April 2015) at age 65 and your benefits in your ***pension account*** (built up from April 2015) at your ***Normal Pension Age*** (which for your benefits built up from April 2015 is linked to your ***State Pension Age*** but with a minimum of age 65). See the section **Your LGPS Retirement Benefits**.

Occupational pension scheme
These schemes are also called company pension schemes. It's a scheme set up by an employer to provide pension or death benefits for its employees. An occupational pension can provide pension benefits on a money purchase, defined benefits, cash

balance or hybrid arrangement basis. The two most common arrangements for occupational schemes are defined benefits (such as the LGPS) and money purchase
If you leave a job you'll normally have to stop building up pension savings in that employer's scheme. These benefits can be transferred to your pension in the LGPS.

Pension Account
Each ***scheme year*** the amount of pension you have built up during the year is worked out and this amount is added into your active ***pension account***. Adjustments may be made to your account during the ***scheme year*** to take account of any transfer of pension rights into the account during the year, any additional pension you may have decided to purchase during the year, any reduction due to a Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a ***civil partnership***) and any reduction due to an Annual Allowance tax charge that you have asked the scheme to pay on your behalf. Your account is then revalued to take account of the cost of living. This adjustment is carried out in line with the Treasury Revaluation Order index which, currently, is the rate of the ***Consumer Prices Index (CPI).***

If you are a Councillor with more than one council you will have a separate ***pension account*** for each office. That ***pension account*** will hold the entire pension built-up for that office.

In addition to an active member's **pension account** there are also:

- a deferred member's ***pension account***;
- a deferred refund account;
- a retirement ***pension account***;
- a pension credit account; and
- a survivor member's account.

These accounts will be adjusted by any debits for any Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a ***civil partnership***) and for any Annual Allowance tax charge that you have asked the scheme to pay on your behalf. These accounts are currently increased each April in line with the ***Consumer Prices Index (CPI)***.

Pensionable Pay
Your ***pensionable pay*** used to work out your pension each ***scheme year*** is the pay on which you normally pay pension contributions (gross pay before deductions). That is the remuneration paid to you by your council as a leader of the council, civic head, senior councillor or councillor, including payments in respect of functions as convenor or vice-convenor of a joint board.

Public service pension scheme
A ***public service pension scheme*** includes a pension scheme covering civil servants, the judiciary, the armed forces, any scheme in England, Wales or Scotland covering ***local government*** workers, or teachers, or health service workers, or fire and rescue workers or members of the police forces; or membership of a new public body pension scheme.

Retail Prices Index (RPI)
The Retail Prices Index (RPI) is a measure of inflation of retail goods and services in the United Kingdom. This is currently the measure used to adjust your ***career average pay***

each year. Your ***career average pay*** is used to work out your benefits built up in the scheme before 1 April 2015

Scheme Year
The ***scheme year*** runs from 1 April to 31 March each year.

SERPS (State Earnings Related Pension Scheme)
This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically ***contracted out*** of ***SERPS***, and most paid lower national insurance contributions as a result. ***SERPS*** was replaced by the ***State Second Pension (S2P)*** from 6 April 2002 which, in turn, was replaced by the single tier State Pension from 6 April 2016.

State Pension Age
This is the earliest age you can receive the state basic pension. ***State Pension Age*** for women was increased between 2010 and December 2018 to be equalised with the State Pension Age of 65 that applied to men up to December 2018.

State Pension Age equalisation timetable for women

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

The ***State Pension Age*** increased to 66 for both men and women between December 2018 and October 2020.

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

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

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

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

State Second Pension (S2P)
The ***State Second Pension*** (formerly ***SERPS***) was the additional state pension, payable to individuals from ***State Pension Age*** if they attained ***State Pension Age*** before 6 April 2016. Initially, S2P was an earnings-related pension but from April 2009 it began building up as a flat rate pension until 6 April 2016 when it was replaced with the new single tier State Pension.

Some Terms We Use

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

Vesting Period

The ***vesting period*** in the LGPS is 2 years. You will meet the 2 years ***vesting period*** if:

- you have been a member of the LGPS in Scotland for 2 years, or
- you have brought a transfer of pension rights into the LGPS from a different occupational pension scheme or from a European pensions institution and the length of service you had in that scheme or institution was two or more years or, when added to the period you have been a member of the LGPS is, in aggregate, two or more years, or
- you have brought a transfer of pension rights into the LGPS from a pension scheme or arrangement where you were not allowed to receive a refund of contributions, or
- you have previously transferred pension rights out of the LGPS to a pension scheme abroad (ie to a qualifying recognised overseas pension scheme), or
- you already hold a deferred benefit or are receiving a pension from the LGPS (other than a survivor's pension or pension credit member's pension), or
- you have paid National Insurance contributions before 6 April 2016 while a member of the L G P S and leave office (or opt out) in the tax year you reach pensionable age (for most, State Pension Age), or in any later tax year, or
- you cease to contribute to the LGPS at age 75, or
- you die in service.