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Local Government Pension Scheme Options available if you have previous LGPS benefits



Options available if you have previous LGPS benefits

In this leaflet we look at the options available if you have re-joined the Local Government Pension Scheme (LGPS) and you have previous LGPS pension rights as an employee in England or Wales which are currently held in the scheme – called deferred benefits.

You can normally choose whether to:

- join your previous LGPS pension rights from your old job to your new membership, enabling you to enjoy one set of benefits based on your entire membership and linked to your final pay in your new job, or
- keep them separate.

Unless you make a positive option to join your LGPS benefits together, your earlier benefits will remain as separate deferred benefits.

Time Limits

You normally only have 12 months from re-joining the LGPS to opt to join them together, unless your employer allows you longer. However, if you have benefits you have previously built up in the LGPS in England or Wales and you have not made an option within the normal 12 month time limit, you have a further opportunity to join your LGPS benefits together provided you opt to do so by 1 October 2011. You have to be paying into the LGPS at the time of making the election to join your LGPS benefits together.

There are a lot of things to think about when deciding whether or not to join your benefits together, and in this leaflet we look at the most important of these. You need to consider your own circumstances carefully before you make a decision and, as your circumstances might change in the future, your decision may have to be based on what you think is most likely to happen. You may wish to seek the help of an independent financial adviser.

Here are the main things you need to think about in making your decision

- **IF YOUR NEW JOB IS LESS WELL PAID** you might wish to consider whether it would be better to keep your benefits separate.

If you keep your benefits separate – you will receive two sets of retirement benefits. Those from your old job will normally be based on your membership and final year's pay on leaving that job, increased in line with the cost of living (inflation). Benefits in your new job will be based on your membership in your new job and your final year's pay in your new job.

If your new job is with a new employer, or it is with the same employer but you have had a break in service, and you join your benefits together – you will receive one set of retirement benefits based on your total membership from both your old and new jobs and your final year's pay in your new job.

So, if the pay level in your new job is less than the pay level in your old job plus inflation and you don't think that with future pay awards, increments or promotions the pay level in your new job will overtake that of your old job plus inflation, you may feel it is in your interests to keep your benefits separate.

If you think that in the future the pay level in your new job will overtake that of your old job plus inflation you may feel it is in your interests to join your benefits together.

If your new job is with the same employer, you have not had a break in service, and you join your benefits together – you will receive one set of retirement benefits based on your total membership from both your old and new jobs and your final year's pay in your new job. However, you **may** have the additional protection of being able to choose to have your benefits based on the average of any 3 consecutive years' pay in the last 13 years (ending on a 31 March), plus inflation, if you leave the employer within 10 years of the reduction in your pay.

Important

If you have worked part-time in either of your employments, then the pay figure you should use when making the comparison is the pay you would get if you worked full-time in that job, not the actual part-time pay.

If you left your old job a little while ago then your deferred benefits will be increased in line with inflation each year until retirement and this increase needs to be taken into account when making the comparisons in pay.

So, for example, let's look at someone whose full-time pay rate in their new job is £20,000 a year and the full-time pay rate in their old job was £19,000 a year plus 10% inflation since leaving that job to give £20,900.

In this example, the pay rate in their new job (£20,000) is, in real terms, less than the pay rate in their old job after allowing for inflation (£20,900). However, they must also take into account the pay progression that they anticipate in their new job and consider whether the pay in the new job will, in the future, exceed the pay in the old job plus inflation.

Throughout this leaflet, all references to pay are to pensionable pay. It does not include non-pensionable pay items such as non-contractual overtime.

- **DEATH AND FAMILY BENEFITS** may be affected by your decision.

If you keep your benefits separate and die in service, then the lump sum death grant payable would be three times your pay in your current job **plus**, in respect of the deferred benefit from your old job:

- the amount of the deferred lump sum (as increased by inflation), if you left that job before 1 April 2008, or
- 5 times your deferred pension plus inflation, if you left that job on or after 1 April 2008.

However, if you join your benefits together the death grant payable on death in service will be three times your pay in your current job. If you are part-time, the lump sum death grant in your current job is three times your actual part-time pay (disregarding any reduction in your pay if your hours had been reduced due to the illness that led to your death).

Remember - if you would like to say who you would like any lump sum death grant to be paid to on your death, you should make sure that you have completed and sent an expression of wish form to each pension fund administrator where your benefits are held. Each pension fund administering authority, however, retains absolute discretion when deciding on who to pay any death grant to.

If you were not married when you left your old job, decide to keep your earlier benefits separate and marry at some point after leaving your old job, any widow's pension in respect of the deferred benefits will only be calculated on membership from 6 April 1978 and any widower's pension in respect of the deferred benefits will only be calculated on membership from 6 April 1988. If you join your benefits together and you are married by the time you leave the scheme, the spouse's pension will be based on all your membership.

If you have nominated a co-habiting partner to receive a survivor's pension on your death, left your old job before 1 April 2008 and decide to keep your earlier benefits separate, your co-habiting partner will not receive a survivor's pension in respect of your earlier membership. If you join your benefits together, all your membership from 6 April 1988 will attract a nominated co-habiting partner's pension and you will then be able to elect to pay extra contributions so that any pre 6 April 1988 membership will also count. An election to pay extra contributions has to be made before 1 April 2011. A co-habiting partner is someone you are living with as if you are married or in a civil partnership. To nominate a co-habiting partner, your relationship has to meet certain conditions laid down by the LGPS.

- **THE REDUCTIONS APPLIED ON THE EARLY PAYMENT OF BENEFITS** may be affected by your decision.

If you voluntarily retire and draw your benefits before age 65 they will normally be reduced to take account of being paid for longer. However, if you joined the LGPS before 1 October 2006 then some or all of your benefits paid early could be protected from the reduction if you are a protected member and your decision may affect this protection. Working out how you are affected can be quite complex, but this should help you work out your general position.

If you first joined the LGPS after 30 September 2006

The earliest age you can voluntarily draw your LGPS benefits without a reduction is 65 and your decision on whether to join your benefits together will not change this.

If you first joined the LGPS before 1 October 2006

You **may** have a **protected** earlier age (i.e. earlier than age 65) from which you can voluntarily draw your deferred benefits without a reduction. This depends on when you left with deferred benefits and the length of your LGPS membership.

If:

a) you left before 1 April 1998 and you **would** have had 25 or more years membership if you had remained in the scheme through to age 65, then you **will have a protected earlier age** from which you can draw your deferred benefits without a reduction. This will be age 60 or, if later, the date on or after age 60 and before age 65 when you would have had 25 years membership if you had not left; or

b) you left on or after 1 April 1998 and you **would** have had 21 or more years membership if you had remained in the scheme through to age 65, then some or all of your deferred benefits will be protected from reduction if you voluntarily draw them before age 65.

If you do have protection under (a) or (b) then some or all of your deferred benefits will, if you keep them separate, be protected from reduction if drawn before age 65. You will need to carefully consider whether or not joining your benefits together will be in your interests. If this applies to you and:

- you keep your benefits separate, then any protection you have on your deferred benefits from your old job will continue to apply to your deferred benefits and will not transfer to the benefits you build up in your new job.

- you choose to join your benefits together, then any protection you have on your deferred benefits from your old job will then transfer to the benefits you build up in your new job but, if you have had a break in service between leaving your old job and starting your new job, the earliest date that you can retire with the protections may be later - or could even move to age 65, in which case the protection would effectively have been lost.

- **FUTURE ILL HEALTH RETIREMENT OR REDUNDANCY / BUSINESS EFFICIENCY RETIREMENT BENEFITS**

If you keep your benefits separate and you eventually retire early on ill health grounds or are made redundant or retired on business efficiency grounds and you are entitled to immediate payment of benefits, your benefits will be calculated on your re-employed membership only. However, it may be possible to have your deferred benefit put into payment early:

- with your former employer's consent from age 50 or 55 (depending on when you left) but if consent were given before age 55, this may result in a tax charge on your benefits, or
- from any age on permanent ill health grounds. This is a decision made by your former employer based on your fitness for the job you were working in when you left the LGPS **and**, if you left the LGPS on or after 1 April 2008, the likelihood of you being capable of any gainful employment.

If you join your benefits together and you eventually retire early on ill health grounds or are made redundant or retired on business efficiency grounds and you are entitled to immediate payment of benefits, those benefits will be calculated on all of your membership.

- **IF YOU WERE PAYING EXTRA CONTRIBUTIONS INTO THE LGPS OR PAYING INTO THE SCHEME'S ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) ARRANGEMENT IN YOUR OLD JOB**, Please contact the Avon Pension Fund who deal with your deferred benefits to find out whether your decision may affect these.

REMEMBER

Unless you make a positive option to join your LGPS benefits together, your earlier benefits will remain as separate deferred benefits. So it's important you think about what is best for you. If you decide to join your benefits together, then Avon Pension Fund will need to be notified. You normally only have 12 months from re-joining the LGPS to opt to join them together, unless your employer allows you longer. However, if you have benefits you have previously built up in the LGPS in England or Wales and you have not made an option within the normal 12 month time limit, you have a further opportunity to join your LGPS benefits together provided you opt to do so by 1 October 2011. You have to be paying into the LGPS at the time of making the election to join your LGPS benefits together.

The Government has announced a reduction in the amount (known as the annual allowance) by which the value of a person's pension savings can increase in any one year before a tax charge is due. From 6 April 2011 the annual allowance is to be reduced from £255,000 to £50,000. **If you wish to join your benefits together it may be better for you to do so before 6 April 2011, as otherwise the reduced annual allowance may affect you.**

You can get more information about joining your LGPS benefits together from:

Avon Pension Fund

Bath and North East Somerset Council
Floor 3 South, Riverside
Temple Street, Keynsham
Bristol, BS31 1LA

Telephone: 01225 477000

Facsimile: 01225 395258

Website: www.avonpensionfund.org.uk

Email: avon_pension@bathnes.gov.uk

The national LGPS website is www.lgps.org.uk

Disclaimer

This leaflet is for employees in England or Wales and reflects the current provisions of the LGPS as at the time of publication in February 2011. Changes to the scheme can be made by the Government in the future after consultation with interested parties.

This is a brief leaflet about joining LGPS benefits together and is for general information only and cannot cover every personal circumstance. It does not cover pensioners with a deferred pension as a result of a suspended ill health pension. If there is any dispute over your pension benefits, the appropriate legislation will apply. This leaflet does not give you any contractual or legal rights, and is provided for information purposes only.

March 2011 Version