

Update on The Local Government Pension Scheme November 2010

There have been recent changes to the Local Government Pension Scheme (LGPS) for employees in England and Wales introduced by the Local Government Pension Scheme (Miscellaneous) Regulations 2010. This leaflet covers the main changes to the scheme. The changes are effective from 30 September 2010 unless stated otherwise.

• **Joining the LGPS**

If you have a contract of employment that's for less than 3 months which is extended so that it's for a total period of 3 months or more, you will (provided you are otherwise eligible to join the scheme) be able to join the LGPS on the extension of your contract. You can backdate your membership to your first day of employment and pay the relevant contributions but, from 30 September 2010, you have to apply to your employer to do so within 3 months of becoming eligible to join the scheme. Your employer can allow you longer. If you are an employee of an admission body or a designated body you cannot backdate your membership in this way.

An admission body is an employer that chooses to participate in the scheme under an admission agreement. These tend to be employers such as charities and contractors.

A designated body can designate employees for access to the scheme. Employees of federated schools can now be designated for membership of the scheme.

The LGPS now includes employees of the Greater London Authority and non-teaching employees of an Academy employer.

• **Previous LGPS pension rights**

Before 30 September 2010 there were some restrictions on transferring previous LGPS rights. The rules have now been amended so that if you have previous LGPS pension rights as an employee in England or Wales which are currently held in the scheme as a deferred benefit, and you have re-joined the LGPS, you can choose whether to:

- join your previous LGPS pension rights 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.

However, there are some deadlines that you need to be aware of. If you wish to join your benefits together you can only opt to do so within 12 months of re-joining the LGPS (unless your employer allows you longer), or before 2 October 2011, whichever is the later.

If this applies to you, there are a lot of things to think about when deciding whether or not to join your benefits together. You can find out more and how to opt to join your LGPS benefits together from the Avon Pension Fund.

- **Pay for pension purposes**

It has been clarified that pension contributions are not payable on any award of compensation (other than payment representing arrears of pay) which is made for the purpose of achieving equal pay; and the compensation is not included in pay upon which pension benefits are calculated.

- **Two or more LGPS jobs**

If you have two or more jobs where you pay into the LGPS at the same time and you leave one (or more) but not all of them, you cannot have a refund of your contributions from the job (or jobs) you have left. Instead, you will be able to transfer your benefits to the job you are continuing in. The amount of membership you will be granted in the continuing job will be adjusted to reflect any difference in the whole-time rates of pay between the jobs.

- **Ill Health Retirement**

If you have to leave work at any age due to permanent ill health, the scheme provides a tiered ill health retirement package with graded levels of benefit based on how likely you are to be capable of gainful employment after you leave.

If you are **unlikely** to be capable of gainful employment within 3 years of leaving, ill health benefits are based on enhanced membership. If you already receive an LGPS ill health pension from a former employment where your benefits are based on enhanced membership, and you are again awarded an ill health pension of the type which provides for enhanced membership, the new Regulations introduce a limit on the overall membership that your total LGPS ill health benefits can be based on.

If you are **likely** to be capable of gainful employment within 3 years of leaving, or before age 65 if earlier, ill health benefits are based solely on your membership at leaving (not enhanced membership). Payment of this type of ill health pension will be stopped after 3 years, or earlier if you are in gainful employment or you are, 18 months after leaving, deemed to be capable of such employment. Under the new Regulations, payment will not be stopped if you reach age 65 before then.

If the payment of your ill health pension is stopped it will become payable again from age 65 but the new Regulations permit you to elect to have the benefits brought back into payment at a reduced rate at or after age 60 and before age 65 or, with your former employer's consent, at or after age 55 and before age 60. If you die whilst your pension is stopped, under the new Regulations a lump sum death grant of five times your pension less the amount of any pension and lump sum already paid is payable.

Also, if you are awarded the type of ill health pension where it was initially assessed that you would be **likely** to be capable of gainful employment within 3 years of leaving, your former employer can revise your award of ill health pension if, as a result of your original condition, you subsequently become **unlikely** to be capable of gainful employment within 3 years of leaving but may be capable of doing so before 65. The revised pension would normally be based on your membership built up to leaving plus 25% of your prospective membership from leaving to age 65. Under the new Regulations, your former employer cannot make a revision to your award if your original ill health pension has been stopped for 3 years or more or if you have reached age 65.

Death in service benefits

The new Regulations change the death benefits payable in respect of part-time employees who die in service and who had reduced their contractual hours as a result of a condition or illness that, in the opinion of an independent occupational health physician, caused or contributed to their death.

In these cases, the reduction in hours is disregarded both in calculating the pay to be used for the **lump sum death grant** and in calculating the membership used in determining the amount of any **survivor pension** payable to a scheme member's wife, husband, civil partner or nominated co-habiting partner.

If you die in service, a **lump sum death grant** of three times your final year's pay is paid no matter how long you have been a member of the LGPS, provided you are under age 75. For part-time employees, the **lump sum death grant** is three times your actual part-time pay but, from 30 September 2010, any reduction in your pay if your hours had been reduced due to your illness is disregarded.

Also, if you die in service, an ongoing **survivor's pension** is provided for your husband, wife, registered civil partner or, subject to certain qualifying conditions, your nominated co-habiting partner.

For your husband, wife or civil partner: the pension payable is equal to 1/160th of your final pay times the membership you would have built up to age 65. If you are part-time, membership to age 65 is calculated assuming you had remained part-time through to then but, from 30 September 2010, any reduction in your hours due to your illness is disregarded.

For your nominated co-habiting partner: the pension payable is calculated in the same way as for a spouse or civil partner, although only your membership from 6 April 1988 is used in the calculation, plus any of your membership before 6 April 1988 for which you have opted to pay additional contributions so that it counts towards a nominated co-habiting partner's pension.

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.

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 for a survivor's pension your relationship has to meet certain conditions laid down by the LGPS. If you wish to make a nomination you can obtain a form from the Avon Pension Fund.

• Payment of Pension Share benefits

If, as a result of divorce or dissolution of a civil partnership, your LGPS benefits are subject to a Pension Sharing Order, or a qualifying agreement in Scotland, your ex-spouse or ex-civil partner will have been given a share of your pension rights. He / she may decide to retain these in the LGPS as benefits in his / her own right and they would normally be payable from age 65. However, the new Regulations allow him / her to opt to receive payment of his / her share on or after age 60 and before age 65 with a reduction for early payment.

This change to the date the ex-spouse or ex-civil partner can to opt to receive payment of their pension share benefits held in the LGPS is effective from 6 April 2009 and does not affect the reduction to your own benefits.

- **Payment of benefits if you are incapable of managing your affairs**

The Regulations now provide that your pension fund administrator can, if in retirement you are incapable of managing your own affairs, pay your pension to someone else for your benefit.

- **Paying extra to buy additional survivor's pension for your nominated co-habiting partner If you have:**

- nominated a co-habiting partner to receive a survivor's pension, and
- elected to pay extra contributions so that some or all of your pre 6 April 1988 membership will also count when calculating a co-habiting survivor's pension, and
- after 30 September 2010 you revoke your nomination of a co-habiting partner (e.g. if you are no longer living together)

the new Regulations provide that there will be no survivor's pension payable to a nominated co-habiting partner on your death and you will receive no extra benefit from those extra contributions. If you paid extra contributions and revoked your nomination before 30 September 2010 the extra contributions already paid will be used to buy extra pension for yourself.

For more information on paying extra to buy additional survivor's pension for your nominated co-habiting partner contact the Avon Pension Fund.

- **More Information**

We hope you find this information helpful. Further information is available from:

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This leaflet is a brief guide on the changes to the LGPS for Employees in England and Wales from 30 September 2010. It was up-to-date at the time of publication in November 2010 and reflects the current provisions of the LGPS. Changes to the scheme can be made by the Government in the future after consultation with interested parties. The leaflet is for general use only and does not cover every personal circumstance. It does not cover councillor members of the LGPS. In the event of any dispute as to benefits due under the LGPS the appropriate legislation will prevail. This leaflet does not confer any contractual or statutory rights and is provided for information purposes only.