

# The Local Government Pension Scheme



## Leaving the LGPS

A guide to the options and benefits available to you when leaving the Local Government Pension Scheme (LGPS)

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Our address, email address, telephone and fax numbers and details of how to obtain further information are shown at the end of this guide.

## Safeguard your pension rights

Please read this guide carefully before making your decision in respect of your benefits and retain it for future reference. Once you have made your decision, please complete and return the form at the end of this guide. It is important that any certificates requested are enclosed with your form as your request cannot be processed until they are received. Should you choose an option that is not available to you, we will contact you within 10 working days of receiving your form.

## Introduction

If you are leaving your employment or the Local Government Pension Scheme (LGPS), subject to certain qualifying conditions, you may choose either to:

- Receive a refund of pension contributions
- Defer your decision to receive a refund and leave your pension contributions in your current LGPS fund
- Preserve your accrued pension benefits
- Transfer your pension rights to another LGPS fund of which you become a member
- Transfer your pension rights to another pension scheme or pension arrangement of which you become a member
- Receive immediate payment of your retirement benefits or defer payment of benefits that would otherwise be subject to reductions due to early payment until their official payment date

These options and their qualifying conditions are detailed in this guide. Where technical pensions terms appear definitions can be found at the end of this guide.



## **Option A - Refund of Pension Contributions**

### **Who is entitled to a refund of contributions?**

You are entitled to a refund of your contributions if you do not have 3 months membership or a transfer in of previous benefits and you do not rejoin the LGPS within one month and one day of leaving it.

However, a refund of contributions cannot be paid if you have any other pension rights in the LGPS in England or Wales, other than a widow's, widower's, civil partner's or child's pension or have transferred any LGPS benefits to an overseas scheme. Payment of a refund is at the discretion of your employer if you leave your employment due to a fraudulent offence or grave misconduct.

A refund can no longer be paid if it has not been paid by the time you return to employment that is pensionable under the Local Government Pension Scheme, but you will be able to transfer your membership to your new employer, as detailed in Option D.

### **How much of a refund would I receive?**

Normally you would receive just over half your total contributions as they can only be repaid to you after two deductions are made. The first deduction is

known as a Certified Amount (CA) and represents the National Insurance you would have paid had you been contributing to the State Second Pension and not the LGPS.

The CA re-instates your pension rights in the earnings-related part of the State Scheme. The second deduction is tax at the rate of 20%. None of the employer's contributions are refunded.

Interest is normally payable if the refund has not been paid within one year of you leaving the LGPS, unless you ceased membership by opting out of the LGPS.

### **How and when should I submit a refund claim?**

To submit a refund claim please complete the sections entitled Your Details, Option A and the Declaration on the form at the end of this guide.

### **Please note**

The Declaration must not be dated, or the form returned, within one month and one day of the date that you ceased to be a member of the LGPS. Any refund claim received before this time limit has expired cannot be accepted.

### **How and when is payment made?**

Payment is normally made directly to your bank or building society, within 10 working days of our receipt of both the properly completed claim form and the necessary details from your employer.

### **What happens if I am going abroad?**

If you are leaving to go abroad the time limits stated still apply. Payment can be made to an overseas bank account, please include any special details with your form.

### **Caution**

After payment of a refund, the Scheme membership related to it is completely exhausted and cannot be used for any future calculation of benefits or other purpose. You may wish to consider choosing Option B, D or E instead.

### **What if I am already a member of the LGPS, and will continue to be so in respect of another employment which I held at the same time?**

If you do not have 3 months membership or a transfer in of previous benefits, you may elect for an amount equal to the refund to be treated as contributions in respect of your continuing membership in the other employment.

If you elect for your refund to be treated as contributions in respect of your other employment, you will be credited with a period of membership calculated in accordance with the scheme regulations.

In addition you qualify for option E Transfer of Pension Rights to another Pension Scheme or arrangement. Ultimately your contributions must be transferred or refunded.

However, a refund of contributions cannot be paid as long as you have any other pension rights in the LGPS in England or Wales, other than a widow's, widower's, civil partner's or child's pension.

If you do have 3 months membership in relation to the job which you are leaving, or have had a transfer in of previous benefits, you may elect to have your membership in respect of your former employment aggregated with your membership in your other employment.

You will be credited with a period of membership calculated in accordance with scheme regulations. In addition you may qualify for Options E or F.

If you wish to aggregate your membership complete Option D and the Declaration parts of the form.



## **Option B - Deferred Decision**

### **Who is entitled to defer their decision and what does it mean?**

If you are entitled to apply for a refund of contributions you may choose instead to defer your decision and to leave your contributions in your current LGPS fund . This would enable you to retain your accrued membership pending a possible transfer to another pension arrangement.

Ultimately your contributions must be transferred or refunded, (see Options A, D and E). If you rejoin the LGPS before the refund is paid you will cease to be entitled to a refund, but you will then be able to transfer your membership to your new employment as detailed in Option D.

### **How do I elect to defer my decision?**

To defer your decision please complete the sections of the form entitled Your Details, Option B and the Declaration.

### **How do I change my decision in the future?**

When you decide you would like to take a refund of contributions or to transfer your pension rights, you should contact us. Details of how to contact us can be found at the end of this guide.

## Option C - Deferred Benefits

### Who is entitled to defer their benefits?

You are entitled to defer your benefits if you have at least 3 months membership or have had a transfer in of previous benefits.

### What does deferring my benefits mean?

This means leaving your accrued pension benefits in your current LGPS fund until such time as they either become payable or you choose to transfer them.

### What do deferred benefits consist of and how are they calculated?

Deferred benefits consist of an annual pension and any tax free lump sum that you have accrued, with provision for your dependants in the event of your death.

They are based on your total membership at the date you cease to contribute to the LGPS and on your final pay and are increased annually in line with Orders made under the Pensions (Increase) Act 1971.

## Deferred benefits are calculated as follows:

For membership before 01.04.08:

Annual Pension =  $1/80^{\text{th}}$  X total membership X final pay

Lump Sum (tax free) =  $3/80^{\text{ths}}$  X total membership X final pay

For membership from 01.04.08

Annual Pension =  $1/60^{\text{th}}$  X total membership X final pay

### When do they become payable?

You are entitled to immediate payment of benefits at age 65. However, should you choose not to receive payment of your benefits on attaining age 65, your entitlements will be enhanced at their date of payment, but payment of benefits can be deferred until no later than the day before your 75th birthday.

You may also elect to receive payment of your benefits early, at or between the ages of 55 and 59 (50 if you were in the scheme before 01.04.08 and will be receiving benefits before 01.04.2010) with your former employer's consent. However if you elect to receive payment at or after age 60 you do not need your former employer's consent.

Please be aware that your pension and any lump sum accrued may be subject to reductions if you elect for early payment, except in the case of Ill-Health retirements or at the employer's discretion in the case of early payment on compassionate grounds. However you may defer payment until you qualify for unreduced benefits.

If you are a woman with membership between 06.04.1978 and 05.04.1997 who has deferred benefits and you choose not to receive payment of your LGPS pension until a later date, then from State Retirement Age you will receive payment of any Guaranteed Minimum Pension (GMP) that you may have accrued.

Please note that the index-linking of pensions is not normally payable before age 55 years, except in the case of Ill-Health retirements.

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

Should you die while your benefits are deferred, a death grant is payable. Your administering authority at their absolute discretion may make payments in respect of the death grant for the benefit of any person appearing to the authority to have been your relative or dependant, or your nominated beneficiary.

By nominating one or more persons or organisations, you can make it clear whom you wish to benefit from your lump sum life cover. This will normally allow the release of monies more quickly and should ensure that it is not subject to inheritance tax. Nomination forms are available from your employer, usually through their Personnel Section.

The amount paid will depend on the date that you left the scheme: if your last day in the scheme was 31.03.08 or before, the death grant will be your deferred lump sum, if your last day was 01.04.08 or after then the death grant is 5 times your deferred pension.

In addition a widow's, widower's, civil partner's or nominated co-habiting partner's pension may be payable. Please note that you are only able to nominate a co-habiting partner if you were in the pension scheme on or after 01.04.08.

The widow's pension is calculated by multiplying the total length of your membership by your final pay and dividing the result by 160. The widower's, civil partner's, or nominated co-habiting partner's pension is based on the same calculation but only membership from 06.04.1988 is used, except in the case of a woman who elected to provide a widower's pension based on earlier membership.

## **Option D - Transfer of Pension Rights to another LGPS fund**

### **Who is entitled to transfer their pension rights to another LGPS fund?**

If you are commencing new employment which is pensionable under the Local Government Scheme and you rejoin the Scheme, you may elect to have pension rights accrued with your current LGPS fund and transferred to your new fund.

### **How does the transfer affect my pension rights?**

The current practice in terms of transfer within the LGPS ensures that your total membership is transferred on a day for day basis. However, a transfer may not always be beneficial and you should seek further information first. Once a transfer has taken place your pension rights in relation to your current membership are moved to your new fund and any liability on the part of your current fund ceases.

### **What happens if I have been paying additional contributions?**

If you have been paying contributions in addition to your basic rate to buy additional membership in the scheme and rejoin the LGPS within 12 months of leaving, you may elect to continue with the arrangement that was in force at the time you left.

The additional contributions remain payable in respect of the period between your dates of leaving and rejoining and if you wish to continue paying additional contributions under the terms of your original contract you must make this payment within three months of re-joining. However, this option does not apply if you are paying Additional Regular Contributions to buy additional scheme pension.

### **How do I arrange for the transfer to take place?**

On rejoining the LGPS you must declare your past scheme membership and should inform your new LGPS fund that you wish to investigate transferring it to them. Only once you have had the opportunity to consider the advantages of combining or keeping your benefits separate, should a decision to transfer be made. If you decide to transfer, your new fund will request a transfer payment from us, once this has been paid you will be formally notified of the total membership transferred.

If you have entered new employment in which you will rejoin the LGPS and wish to consider a transfer, please complete the sections of the form entitled Your Details, Option D and the Declaration.

## **Option E - Transfer of Pension Rights to another Pension Scheme or Arrangement**

### **Who is entitled to transfer their pension rights out of the LGPS?**

Generally only scheme members who leave more than one year before their 65th birthday can transfer their pension rights. The latest you can opt to transfer your pension rights is one year before your 65th birthday or six months after leaving, if this is later.

### **What type of schemes or arrangements can I transfer to?**

You can transfer your pension rights to any scheme registered with Her Majesty's Revenue and Customs, which is prepared to accept the transfer. These can include your new employer's scheme, a personal pension plan or a 'buy-out' insurance policy.

### **How does the transfer affect my pension rights?**

The benefits provided by the transfer may be different from those you enjoyed in the LGPS because each scheme varies in the benefits it provides. Membership is not transferred on a day for day basis; instead a sum of money representing a cash equivalent of your LGPS pension rights is offered and is used to 'buy-in' pension benefits.

A transfer is optional and may not always be advantageous, therefore you should consider the alternatives. Remember that, unlike most pension schemes, LGPS benefits are fully protected against the effects of inflation.

As well as the potential benefits arising from a transfer, if you have at least 3 months membership or have had a transfer in of previous benefits, you will be given details of the deferred benefits available within the LGPS, otherwise you will be notified of the refund of contributions available to you.

### **How do I arrange for the transfer to take place?**

You should give written notice to your new employer or pension provider of your wish to transfer. Your request will not be binding until you have been supplied with further details and subsequently confirm that you wish the transfer to proceed.

As time limits may apply, you should ask your new employer what the deadline is for registering an interest in transferring your LGPS pension rights. If you wish to investigate a transfer now, please complete the sections of the form entitled Your Details, Option E and the Declaration.

## **Option F - Immediate Payment of Retirement Benefits**

### **Who is entitled to receive immediate payment of benefits?**

#### **Normal retirement**

If you are leaving your employment, have attained age 65 and have at least 3 months membership or have had a transfer in of previous benefits, you are entitled to receive immediate payment of your retirement benefits.

#### **Early retirement**

Providing that you have at least 3 months membership or have had a transfer in of previous benefits, you may elect to receive immediate payment of your benefits early, at or between the ages of 55 and 59 (50 if you were in the scheme before 01.04.08 and will be receiving benefits before 01.04.2010), with your employer's consent. However if you elect to receive payment at or after 60, you do not need your employer's consent.

#### **Are there any penalties for retiring early?**

If you retire before age 65, your pension and lump sum, initially calculated as detailed in the section below on Benefits, will be reduced to take account of their early payment and the fact that your pension will be payable for longer.



If you joined the LGPS before 01.10.2006 you may have some protection from this reduction. If you joined before October 2008 you will have some protection from this reduction. More information on this can be obtained on request.

### **Redundancy**

Immediate benefits without reductions are payable if you have at least 3 months membership or have had a transfer in of previous benefits, you are aged 55 or over (50 if you were in the scheme before 01.04.08 and your employer makes their decision before 01.04.2010) and are made redundant or your employing authority has decided that, on the grounds of business efficiency, it is in their interest that you should leave their employment.

### **Ill-Health**

If you have at least 3 months membership or have had a transfer in of previous benefits then immediate benefits are also payable, at any age, if because of ill-health your employer's medical adviser certifies that you have become permanently incapable of discharging efficiently the duties of your employment and have a reduced likelihood of obtaining gainful employment before your 65th birthday.

You may also have your membership increased to produce higher benefits; the amount by which your membership is increased will depend on the likelihood of you recovering enough to obtain gainful employment before your 65th birthday. Gainful employment is defined as any job of 30 hours or more a week, which lasts for at least 12 months.

### **There are three tiers of ill-health:**

**Tier 1:** if it is determined that there is no reasonable prospect of being able to obtain gainful employment before your 65th birthday, your membership will be enhanced with 100% of the difference between your last day of employment and your 65th birthday.

**Tier 2:** if it is determined that it is likely that you will be able to obtain gainful employment before your 65th birthday, but not before 3 years have passed, your membership will be enhanced by 25% of the difference between your last day of employment and your 65th birthday.

**Tier 3:** if it is determined that it is likely that you will be able to obtain gainful employment within 3 years of leaving employment then your membership will not be enhanced and benefits will only be based on the membership that have accrued. The benefits will cease when you obtain gainful employment, or at the end of the 3 year period from retirement.

### **How do I elect to receive immediate payment of my retirement benefits?**

To elect to receive immediate payment of your retirement benefits, please complete the sections of the form entitled Your Details, Option F and Declaration. Your employer should also notify us, but your form provides us with details to assist prompt payment and the provision of further information.

You may request an estimate of your benefit value before committing yourself by completing Option F. Please note, however that redundancy estimates and other cases requiring employer's consent must be requested through your employer.

### **How will I be informed of the value of my retirement benefits?**

Within five working days of receiving the relevant details from your employer, we will send you a statement detailing the value of your retirement benefits and useful information concerning your pension and the standards of service you can expect to receive as an LGPS pensioner.

### **How and when will my benefits be paid?**

Your lump sum will be paid directly to the account you indicate on the form on your retirement date or within five working days of the receipt of the relevant details from your employer, if this is later. Please

check that the monies have cleared in your account before committing expenditure against them.

Your pension will be paid at the end of each month into the account you indicate on the form. Further details regarding payment are contained in the guide 'Information for New Pensioners'.

Should the value of your benefits be less than 1% of your total pension Lifetime Allowance at State Retirement Age, it may be 'commuted' and paid in full as a lump sum. Should this apply, we will contact you.

**Caution:** If you are receiving an LGPS pension and return to employment within Local Government or any other organisation which participates in the LGPS, your pension may be reduced or suspended, even once the employment has ceased.

Account may also be taken of your pension when calculating any pension benefits arising from the new employment. You must inform us, in writing, within seven days of taking up such employment and are encouraged to seek further information before committing yourself to such employment.



## **Pension Terms Defined**

### **Pay**

This is your normal salary or wages plus any shift allowance, bonuses, contractual overtime, Statutory Sick Pay or Maternity Pay, and any other taxable benefit specified in your contract as being pensionable.

Pay does not include non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of holidays or (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

### **Final pay**

This is the figure used to calculate most of your pension benefits and is normally your pay in the last year before you retire, or one of the previous two years' pay if that amount is higher. For a part-time employee, the figure used is normally the pay you would have received if you had worked whole-time. If you have had a drop in pay, a Certificate of Protection has been issued or should you reach age 65 and continue in employment please request further information from us.

### **Guaranteed Minimum Pension (GMP)**

This is the minimum pension that the LGPS must pay you in relation to the period that you were a member of the LGPS on and between 06.04.1978 and 05.04.1997. It is calculated by reference to the additional state benefits that you would have earned if you had not been a member of the LGPS during this period. A guide explaining GMP in more detail is available on request.

### **State Retirement Age**

This is currently age 65 for men and 60 for women, but between 2010 and 2020 will change for women so that by 2020 State Retirement Age will have been equalised as age 65 for both sexes.

### **Pensions Increase**

Under the Pensions (Increase) Act 1971 your benefits are reviewed and increased in accordance with Orders made under the Act, currently on an annual basis. This protects the value of all your benefits against the effects of inflation whilst they remain preserved in the Local Government Pension Scheme and the annual pension once it is in payment.

### **Total Membership**

This is the amount of membership that counts, as detailed opposite.

To be entitled to benefits, you must have at least 3 months membership. This membership includes;

- the number of days that you have been a LGPS member as an employee (at full calendar length for part-time employment).
- any membership transferred from a previous employer's pension plan into the LGPS (normally at the actual length served in that plan, but only at the length of membership purchased for the purposes of determining entitlement to an ill-health pension).
- the number of years and days purchased by a transfer into the LGPS from a personal pension plan or stakeholder pension scheme.
- any part-time employment prior to joining the LGPS which you have been allowed to count (at full calendar length).
- any membership in respect of which you are, as a former employee, already in receipt of a Local Government pension or in respect of which you hold a Local Government preserved pension.
- any additional years of membership purchased by you or purchased by converting Additional Voluntary Contributions (AVCs) into a period of membership.

It does not include any additional years of membership which have been granted to you by your employer or membership in the LGPS for any period that you were in the scheme as a councilor or mayor.

In respect of working out the amount of your personal benefits, total membership is;

- the number of years and days that you have been a LGPS member (with part-time employment reduced to its whole-time equivalent length) but excluding any membership in respect of which you are already in receipt of a Local Government pension or in respect of which you hold a Local Government preserved pension or which relates to a period you were in the scheme as a councilor or mayor.
- the number of years and days purchased by a transfer into the LGPS from a previous employer's pension plan, a personal pension plan or a stakeholder pension scheme.
- any additional years of membership that you have bought or which have been granted to you by your employer.

Note that if you were age 45 or over on the first day of the earliest period of LGPS membership and elected to buy any such additional years before 01.04.2006, they will not count towards lump sum calculations following normal or voluntary retirement. In this case each additional year purchased or granted by the employer will count at 1/60th instead of 1/80th in the calculation of your pension.

- any additional years of membership purchased by converting AVCs into a period of membership (although this will not count towards lump sum calculations where the AVCs commenced after 07.04.1987).
- any membership granted by way of ill-health enhancement.

## Further information

If you would like further information, including information specific to your own circumstances, or if you have any comments or queries about this guide please do not hesitate to contact us. You can write, telephone, fax or email us, or visit our offices with or without an appointment. The postal address, telephone and fax numbers, email address and office opening hours are shown at the end of this guide. An answer phone is available out of office hours and calls are returned the next working day. When calling please quote the name of your employer, so that your enquiry may be passed to the member of staff best able to help you.

This guide does not confer any statutory rights. It aims to explain the options available to you as a member of the LGPS and cannot override the Local Government Pension Scheme Regulations or other relevant legislation.

The information given in this guide is also available in large type and on audio cassette. It may be possible to reproduce it in other ways or another language and we would be pleased to consider any such request.

Details are correct at the time of publication but cannot take into account the effects of subsequent changes in legislation.

## Contact details

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Monday to Friday

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