

## 9.0 OVERVIEW OF THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The LGPS is a public service, registered, defined-benefit, contracted-out pension scheme.

### 9.1 General definitions

#### Public service

To be a member of the LGPS an individual must be employed by a scheme employer listed in [Part 1](#),<sup>1</sup> [Part 2](#),<sup>2</sup> [Part 3](#)<sup>3</sup> or [Part 4](#)<sup>4</sup> of Schedule 2 of the LGPS Regulations 2013. No individual can contribute to the LGPS unless they are contractually employed by a scheme employer as so listed. Scheme employers include (in the main) County, Unitary, Borough, District, Town, Parish and Community councils, non-uniformed staff employed by Fire and Rescue Authorities, Housing Associations, Higher and Further Education Corporations, Academies (including free schools and university technical colleges) and certain Admission Bodies which have, by way of an admission agreement, been granted access to the LGPS for all or certain designated former employees of a scheme employer.

#### Registered

The LGPS is a [registered pension scheme with HM Revenue & Customs](#).<sup>5</sup> This means that contributions paid to the LGPS by a scheme member attract tax relief at source and so the member makes a tax-saving at their marginal rate as a result of contributing to the Scheme. For example, an employee who pays basic rate tax (currently 20%) saves tax equal to 20 pence for each pound that is contributed. A member who pays higher rate tax (currently 40%) saves tax equal to 40 pence for each pound contributed.

#### Defined-benefit

This term is used when a pension scheme's benefits are defined by regulation. The value of the benefits payable from the LGPS is set out in statutory instruments issued by Government and is therefore relatively secure. A scheme member is able to estimate what the value of their pension benefits will be at retirement based on a defined formula. This differs from so-called defined contribution schemes where the value of benefits is determined by how much the scheme member contributes, how well those contributions are invested and the annuity rates in force at the member's date of retirement.

#### Contracted-out

The term contracted-out means that the pension scheme contracts-out of the [State Second Pension \(S2P\)](#),<sup>6</sup> formerly known as the [State Earnings Related Pension Scheme \(SERPS\)](#).<sup>7</sup> S2P is a 'top-up' to the basic State Pension. Members of the LGPS pay contracted-out National Insurance contributions (NICs) which are paid at a lower rate than contracted-in NICs. Someone who pays contracted-in NICs will receive the S2P whereas someone who pays contracted-out NICs does not receive the S2P (at least for the period whilst they are contracted-out).

However, whilst a member of the LGPS must pay contracted-out NICs, they are guaranteed to receive a pension (Guaranteed Minimum Pension (GMP) see [Regulation 51](#)<sup>8</sup> of the Regulations) that is at least equal to the value of the pension that would otherwise have been paid as the S2P and it is unusual for the LGPS pension not to be much better than S2P. Should the value of S2P be greater than the LGPS pension, the difference will be paid. The rules surrounding contracting-

<sup>1</sup> <http://www.lgpsregs.org/index.php/schedule-2>

<sup>2</sup> <http://www.lgpsregs.org/index.php/schedule-2?showall=&start=1>

<sup>3</sup> <http://www.lgpsregs.org/index.php/schedule-2?showall=&start=2>

<sup>4</sup> <http://www.lgpsregs.org/index.php/schedule-2?showall=&start=3>

<sup>5</sup> <http://www.hmrc.gov.uk/manuals/RPSMManual/index.htm>

<sup>6</sup> <https://www.gov.uk/additional-state-pension/overview>

<sup>7</sup> <http://www.nidirect.gov.uk/serps-and-the-state-second-pension>

<sup>8</sup> <http://www.legislation.gov.uk/uksi/2013/2356/regulation/51/made>

out are to be removed with effect from 1 April 2016 resulting in an LGPS member paying higher NICs.

In addition, scheme employers will face a higher bill for their share of the NICs. The Berkshire Pension Fund has 2 contracting-out numbers, an Employer contracting out number or ECON, E3900002R, and a Scheme contracting-out number or SCON, S2700137M. [The Pension Schemes Act 1993](#)<sup>9</sup> deals with requirements of contracting-out.

### LGPS Enrolment

Any employee of a scheme employer, who is not eligible for membership of any other public service pension scheme (e.g. Teachers, Police Officers, NHS, Civil Servants etc.), will be contractually enrolled into the LGPS providing they have a contract of employment of at least 3 months duration, are under the age of 75 and have not been designated as being ineligible for membership by their employer either through resolution or as a result of an admission agreement.

A scheme employer is one listed in [Schedule 2](#)<sup>10</sup> of the Scheme regulations which is broadly set out into 3 distinct groups:

**Part 1** (Scheduled bodies) includes county councils, district councils, a fire and rescue authority, a further or higher education corporation, a proprietor of an academy (including free schools and University Technical Colleges) and housing associations,

**Part 2** (Designation bodies) includes a precepting authority such as a town or parish council,

**Part 3** (Admission bodies) employers granted access to the Scheme via an admission agreement with a scheme employer and the administering authority; and

**Part 4** (Other educational institutions) includes voluntary, foundation, foundation special and federated schools and technical institutes and similar institutions.

Whilst any eligible employee of a Part 1 employer must be contractually enrolled into the LGPS those employed by a Part 2 employer must be designated by their employer, or a class of employees of which they belong, as being eligible to join the Scheme. A Part 3 employer must also designate those employees that are eligible to join the scheme under the terms of the admission agreement. A part 4 employer must designate employees or certain classes of employees once they have the consent of the governing body.

Any scheme member has a right to opt out of the LGPS upon completion of the relevant opt-out form but any employee who does so must be automatically re-enrolled into the LGPS under the [automatic enrolment legislation](#)<sup>11</sup> issued as part of the Government's policy on Workplace Pensions. The LGPS is a qualifying pension scheme under the automatic enrolment regulations and as such scheme employers must admit their eligible employees (who have previously opted out of the Scheme) back into the LGPS from the point at which they reach their staging date for automatic enrolment, the third anniversary of their staging date and every third anniversary thereafter or from the point at which the employee is deemed to become an eligible jobholder as defined in the automatic enrolment legislation. It must be noted that this is a scheme employer responsibility and not the responsibility of the administering authority in its role as scheme manager. A brief guide to automatic enrolment can be found on the [Technical Guides](#)<sup>12</sup> page of the Local Government Association (LGA) website.

<sup>9</sup> <http://www.legislation.gov.uk/ukpga/1993/48/introduction/enacted>

<sup>10</sup> <http://www.legislation.gov.uk/uksi/2013/2356/schedule/2/made>

<sup>11</sup> <http://www.local.gov.uk/web/workforcelibrary/technical-guides#enrolment>

<sup>12</sup> <http://www.local.gov.uk/web/workforcelibrary/technical-guides>

## 9.2 Contributing to the LGPS

Before 1 April 2008 there were two employee contribution rates, 6% for officers and 5% for so-called 'manual' workers. With effect from 1 April 2008, 7 different rates of employee contribution were introduced across 7 salary bands and by 1 April 2011 all employees, whether officer or 'manual', paid contributions in line with the salary band relevant to their full-time earnings. The contribution rates ranged from 5.5% for the lowest paid to 7.5% for the highest paid.

With effect from 1 April 2014 the 7 salary bands were extended to 9 salary bands, now based on actual pensionable pay received as opposed to the full-time equivalent rate of earnings as defined in previous regulations, with the lowest contribution rate remaining at 5.5% for the lowest paid but the highest band being increased to 12.5% for the highest paid.

**Table 5 – Contribution bands pre and post 1 April 2014**

Pre 1 April 2014		Post 31 March 2014	
FT Pensionable Pay		Actual Pensionable Pay	
<£13,500	5.5%	<£13,500	5.5%
£13,501 - £15,800	5.8%	£13,501 - £21,000	5.8%
£15,801 - £20,400	5.9%	£21,001 - 34,000	6.5%
£20,401 - £34,000	6.5%	£34,001 - £43,000	6.8%
£34,001 - £45,000	6.8%	£43,001 - £60,000	8.5%
£45,001 - £85,300	7.2%	£60,001 - £85,000	9.9%
>£85,001	7.5%	£85,001 - £100,000	10.5%
		£100,001 - £150,000	11.4%
		>£150,000	12.5%

The contribution table is set out in [Regulation 9](#)<sup>13</sup> of the LGPS Regulations 2013 with the salary bandings being subject to change each April in line with the [Pensions \(Increase\) Act 1971](#),<sup>14</sup> the same regulations as used to increase pensions in payment each year, currently linked to the Consumer Price Index (CPI).

With effect from 1 April 2015 the salary bands have increased by 1.2% in line with the rate of CPI as at September 2014. These new salary ranges can be found on the [Pension Contributions page](#)<sup>15</sup> of the Pension Fund website.

In addition to the employee contributing to the LGPS, the scheme employer also contributes to the Scheme in line with a [Rates & Adjustment certificate](#)<sup>16</sup> issued by the Pension Fund Actuary as part of the [triennial valuation](#)<sup>17</sup> of the Fund.

Some scheme employers are pooled together for the purposes of the valuation and so pay the same employer contribution rate but there is significant variation across a number of scheme employers subject to the age and membership profile of the individuals employed by the scheme employer.

In addition, admission bodies may have a finite time in the Scheme subject to the contract entered into between the admission body and the scheme employer who initially transferred their group of staff to the admission body as part of a transfer of undertakings.

<sup>13</sup> <http://www.lgpsregs.org/index.php/contributions>

<sup>14</sup> <http://www.legislation.gov.uk/ukpga/1971/56/contents>

<sup>15</sup> [http://www.berkshirerpensions.org.uk/bpf/info/11/active\\_members/6/pension\\_contributions](http://www.berkshirerpensions.org.uk/bpf/info/11/active_members/6/pension_contributions)

<sup>16</sup> [http://www.berkshirerpensions.org.uk/bpf/info/2/employers/36/contributions\\_-\\_employers](http://www.berkshirerpensions.org.uk/bpf/info/2/employers/36/contributions_-_employers)

<sup>17</sup> [http://www3.rbwm.gov.uk/bpf/downloads/download/2/pension\\_fund\\_reports](http://www3.rbwm.gov.uk/bpf/downloads/download/2/pension_fund_reports)

### 9.3 Maintaining contributions to the Scheme

All scheme employers are required to make payments of all employee and employer contributions to the administering authority within statutory deadlines as referred to in [section 49\(8\) of the Pensions Act 1995](#)<sup>18</sup> and as prescribed in section 16A of the Occupational Pension Schemes (Administration) Regulations 1996 as inserted by [The Occupational Pension Schemes \(Miscellaneous Amendments\) Regulations 2000](#)<sup>19</sup> and replaced by Regulation 7 of the [Public Service Pensions \(Record Keeping and Miscellaneous Amendments\) Regulations 2014 \(SI 2014 No. 3138\)](#).<sup>20</sup>

In brief what this means is that contributions must be received by the Pension Fund by the 19<sup>th</sup> day of the month following the month to which the pension contribution deductions relate (e.g. pension contributions deducted from a payroll run in April must be received by the Pension Fund on or before the 19<sup>th</sup> of May) and that where payments are received later than the 19<sup>th</sup> day, and the scheme manager considers that the late payment is of material significance, the scheme manager has a duty to notify the Pensions Regulator of the employer's failure to meet the required deadline.

The Pension Fund monitors the receipt of contributions and provides to the scheme employer a spreadsheet containing 12 worksheets, one for each month of the financial year, for completion and submission to a generic email address [lgps@rbwm.gov.uk](mailto:lgps@rbwm.gov.uk). In addition a [scheme employer's guide](#)<sup>21</sup> to completing contribution returns is available from the Pension Fund's website. Each month the scheme employer is required to provide a breakdown between the total employees' standard contributions, total employees' additional contributions and total employers' contributions. Any adjustments to contributions that may be required can also be notified to the Pension Fund via the submission of these spreadsheets.

As each contribution spreadsheet is received the contribution figures are cut and pasted to a contribution reconciliation spreadsheet which is monitored by officers of the Pension Fund. At this time a check is made to ensure the correct employer contribution percentage, as set out in the [rates and adjustment certificate](#),<sup>22</sup> and relevant cost centre code are being used. These figures are then reconciled to the Pension Fund's bank account statements and where payments have been received late or remain outstanding the scheme employer is sent a notice of unsatisfactory performance as a reminder of their responsibilities in accordance with the scheme manager's [pension administration strategy](#).<sup>23</sup>

All receipts of contributions are retained in individual employer folders on Microsoft Outlook within one generic folder called LGPS and can be referred to at any time by any officer of the Pension Fund.

At the end of the financial year, each scheme employer is required to send a contribution return, in a format specified by the Pension Administration Manager, to the pension administration team setting out the total standard employees' contributions, total additional employees' contributions and total employers' contributions in respect of each scheme member they employ and where the member has more than one post, a breakdown of contributions between each post held. At this time additional information is also requested that enables the pension team to check their records against the employer data and raise any queries they may have in order to update the pension records as required.

---

<sup>18</sup> <http://www.legislation.gov.uk/ukpga/1995/26/section/49/enacted>

<sup>19</sup> <http://www.legislation.gov.uk/uksi/2000/679/regulation/2/made>

<sup>20</sup> <http://www.legislation.gov.uk/uksi/2014/3138/contents/made>

<sup>21</sup> <http://www.berkshirerpensions.org.uk/bpf/downloads/2/employers>

<sup>22</sup> [http://www.berkshirerpensions.org.uk/bpf/info/2/employers/36/contributions\\_-\\_](http://www.berkshirerpensions.org.uk/bpf/info/2/employers/36/contributions_-_)

<sup>23</sup> [http://www3.rbwm.gov.uk/bpf/downloads/download/1/pension\\_fund\\_policies](http://www3.rbwm.gov.uk/bpf/downloads/download/1/pension_fund_policies)

A reconciliation between the annual return received from the scheme employer and the 12 monthly contribution payments received from the scheme employer is then undertaken to ensure that the figures are within an accepted tolerance.

It should be noted that where a Scheme employer uses i-Connect contribution details are submitted securely each month and uploaded to member records thereby removing the need for the completion of monthly spreadsheets by the Scheme employer, a year-end contribution return and a yearly reconciliation of the figures received as all of this is achieved in real time at the point the contribution payments are received by the Pension Fund.

#### **9.4 Membership types**

There are numerous membership types to which individuals can belong. On the *altair* system each membership type is given a status code and so for the purposes of this handbook the various membership types are explained in line with that administrative structure.

##### **Active (status 1)**

An active member is one who currently contributes to the scheme. To be an active member an individual must be employed by one of the scheme employers on behalf of which the Pension Fund administers the LGPS (see paragraph 9.1 - sections on Public service and LGPS enrolment). An active member can have multiple records depending upon the number of jobs or posts that they hold and can be employed by one or more scheme employers at the same time. An active member could also hold both deferred and a pensioner memberships.

##### **Undecided leavers (status 2)**

An undecided leaver is someone who has left their employment but is undecided as to the action that they now want to take with regard to their pension benefits. These records are closely monitored and are ultimately removed from the system once the individual member has decided upon the action they wish to take with regard to their pension benefits.

##### **Exit – no liability (status 3)**

The pension system retains records of all former scheme members who have left the scheme and retain no liabilities in the fund. This is because the former member has either had a refund of their contributions or transferred their pension benefits to an alternative pension scheme. Details of the transaction are retained on the member's record i.e. the refund amount and the transfer value paid in each instance.

##### **Deferred (status 4)**

A deferred member is one who no longer contributes to the scheme because they have either left their employment or opted out of the scheme. The individual has sufficient membership of the scheme to qualify for a pension benefit and has not elected to transfer those benefits to an alternative pension scheme. Therefore, the benefits remain in the pension fund, increase in line with inflation (currently the consumer price index) each year and become payable from the member's eligible retirement age.

In accordance with [Regulation 8](#)<sup>24</sup> of the LGPS Regulations 2013 a person could be defined as a pension credit member if they have been given a pension credit in the Scheme as a consequence of divorcing a scheme member who has had a pension debit from their benefits in accordance with the [Welfare Reform and Pensions Act 1993](#).<sup>25</sup> A pension credit member is held as a deferred (status 4) member but will become a pensioner (status 5) member from the point at which the pension credit becomes payable. A pension credit member could also become a status 3 member should they decide to transfer their pension credit to an alternative pension scheme prior to it being released as a pension.

---

<sup>24</sup> <http://www.legislation.gov.uk/uksi/2013/2356/regulation/8/made>

<sup>25</sup> <http://www.legislation.gov.uk/ukpga/1999/30/contents>

### Pensioner (status 5)

A pensioner member is someone who once contributed to the scheme but has now passed the age from which their pension benefits became payable. This could have been for a number of reasons and different benefits may have become payable from different dates (see paragraphs 9.9 and 9.10). A pensioner member will receive an annual pension for life index-linked each April, currently in line with the consumer prices index (CPI).

### Dependant (status 6)

A dependant member is someone who receives a pension in their own right as a result of having been a dependant of a former, now deceased, scheme member. This includes a spouse, civil partner, co-habiting partner and dependant children. Spouses' and partners' pensions are payable for life. Dependant childrens' pensions stop at the age of 18 or 23 if the child remains in full time education or training up to that age unless the child has been incapacitated since before the age of 18 and therefore remains dependant on the surviving partner (see paragraph 9.14).

### Death (status 7)

Records are retained on the pension system of all former members who have died whether that be from active, deferred, pensioner or dependant status.

### Awaiting entry (status 8)

This option is not used by the Berkshire Pension Fund. Records of individuals who may soon be joining the scheme are not recorded as this information is not required from Scheme employers.

### Frozen refund (status 9)

Any member with less than 2 years qualifying service at the point their active membership ends has the option to take a refund of their contributions. However, if the refund is not claimed it remains in the Pension Fund as a 'frozen' refund. Some members may choose not to take a refund immediately as they might alternatively elect to transfer their (albeit relatively small) benefit to an alternative pension scheme. In accordance with [Regulation 19](#)<sup>26</sup> of the Regulations there are circumstances under which a refund of contributions cannot be paid e.g. the member becomes an active member again within one month and one day of leaving their previous employment, they left their employment due to an offence of fraudulent character or grave misconduct or they transfer their benefits out of the fund.

### Optant out (status O)

Any local government employee who is eligible for membership of the LGPS will be contractually enrolled in to the scheme from their first day of employment (see paragraph 9.1: LGPS enrolment). Any scheme member has a right to opt out of the scheme at any time. However, where a member opts out within the first 3 months of joining, they are deemed to have never been a member of the scheme in accordance with [paragraph 5 of Regulation 5](#)<sup>27</sup> of the LGPS Regulations 2013. What this means is that any contributions that the individual has paid must be refunded to them and as they are deemed to have never been a scheme member those contributions must be refunded to the individual by their employer through their payroll system. Any individual who has received a refund in these circumstances is recorded on the pension system as an optant out.

### Third tier cessation (status T)

This status type refers to a member who was previously awarded a tier-3 ill health retirement (release of accrued benefits without enhancement for up to a period of 3 years) but who is no longer considered to meet the criteria for payment of those benefits following a review by the scheme employer. If the individual has obtained gainful employment since the benefits first came into payment (and within the 3 year period) then payment of those benefits should have ceased immediately. At the end of the 3 year period the scheme employer needs to ascertain whether the individual could now obtain gainful employment and if it is considered that they could, payments of

<sup>26</sup> <http://www.legislation.gov.uk/uksi/2013/2356/regulation/19/made>

<sup>27</sup> <http://www.legislation.gov.uk/uksi/2013/2356/regulation/5/made>

the pension should cease at that point. If, however, it is considered that the individual is still unlikely to be able to obtain gainful employment, the benefits payable could be increased to the level of a tier-2 ill health retirement (see paragraph 9.14).

### Councillors

Councillors (elected members) first had an opportunity to join the LGPS from 1 May 2003 following an amendment to the Local Government Pension Scheme Regulations 1997 by [The Local Government Pension Scheme and Discretionary Compensation \(Local Authority Members in England\) Regulations 2003 \(S.I. 2003 No. 1022\)](#).<sup>28</sup> These regulations allowed English County and District Councils to permit Councillors to become eligible for membership of the LGPS in accordance with the Council's published scheme of allowances.

Not all of the 'District' Councils in Berkshire (the 6 Unitary Authorities) offered membership to their elected members. In fact only Bracknell Forest Council, West Berkshire Council and Reading Borough Council published a scheme of allowances thereby making their elected members 'eligible councillors'.

A written statement issued by the Minister for Local Government on 19 December 2012 set out the Government's intention that Councillors should no longer have access to the LGPS from 1 April 2014. This was on the basis that Councillors were volunteers undertaking public service duties rather than being council employees. Following a period of consultation resulting in the introduction of [The LGPS \(Transitional Provisions, Savings and Amendment\) Regulations 2014 \(S.I. 2014 No. 525\)](#)<sup>29</sup>, [Regulation 26](#)<sup>30</sup> provided that no new Councillors could join the LGPS with effect from 1 April 2014 and that all existing Councillor members on the 31 March 2014 should be removed from the scheme at the end of their current term of office in which they were serving on 1 April 2014.

## 9.5 Scheme membership

There have been many changes made to the LGPS regulations over the years but in broad terms there are now three distinct calculation methods used to determine how much pension and lump sum a scheme member will receive at retirement subject to the individual having been a member of the Scheme in each of the periods to which the various regulations relate. How those benefits are calculated can be found in paragraph 9.6.

This section deals with the way in which membership is built up in the Scheme.

Prior to 1 April 2014 the LGPS was known as a final salary pension scheme with membership building up based upon the number of contractual hours a scheme member worked per week and the number of contractual weeks a scheme member worked per year. For example, a full time employee who contributed to the Scheme for 20 years built up 20 years of scheme membership whereas a part-time employee working 50% of full time would build up 10 years of membership.

Over time a scheme member may have had various jobs with various contractual hours and weeks being worked. Any contractual changes had to be notified to the administering authority by the scheme employer for recording on each member's own pension record. Where an individual held more than one post, each post had to be treated separately.

From 1 April 2014 the Scheme changed from being a final salary scheme to a Career Average Re-valued Earnings (CARE) Scheme (although certain members continue to retain a right to have their post 31 March 2014 benefits based on final salary because of the 'underpin' (see paragraph 9.8)). The way in which this impacts on the calculation of benefits will be described in paragraph 9.6. The following table, however, shows an example of a scheme member who first contributed to the Scheme from 1 April 2004 until leaving local government employment on 31 March 2015.

<sup>28</sup> <http://www.legislation.gov.uk/uksi/2003/1022/contents/made>

<sup>29</sup> <http://www.legislation.gov.uk/uksi/2014/525/contents/made>

<sup>30</sup> <http://www.legislation.gov.uk/uksi/2014/525/regulation/26/made>

**Table 6 – Determining membership**

From	To	FT/PT %	Calendar length		membership length	
			Years	Days	Years	Days
01/04/04	31/03/06	100	2	000	2	000
01/04/06	31/03/08	50	2	000	1	000
01/04/08	31/03/11	75	3	000	2	091
01/04/11	31/03/14	25	3	000	0	274
01/04/14	31/03/15	50	1	000	0	183
		Total	11	000	6	183

The membership calculated in table 6 is taken forward into paragraph 9.6 in order to show how benefits are calculated in the Scheme.

### **9.6 Scheme benefits**

The method for calculating benefits is different in respect of:

- a) scheme membership built up to 31 March 2008;
- b) scheme membership built up from 1 April 2008 to 31 March 2014; and
- c) scheme membership built up from 1 April 2014.

Scheme regulations in force prior to 1 April 2008 provided for a pension based on 1/80<sup>th</sup> of final pay (full-time equivalent pay in respect of part-time employees) for each whole and part year of scheme membership plus a tax-free lump sum equal to 3/80<sup>ths</sup> of final pay for each whole and part year of membership built up.

LGPS regulations changed on 1 April 2008 with the rate at which a pension built up being increased to 1/60<sup>th</sup> of final pay (full-time equivalent in respect of part-time employees) for every whole and part year of membership. However, the automatic entitlement to a tax-free lump sum was removed at that time although members could elect to convert part of their annual pension into tax-free cash if they so wished at retirement.

With effect from 1 April 2014 scheme regulations changed with the pension now being equal to 1/49<sup>th</sup> of actual pensionable pay received by the scheme member in each scheme year (1 April to 31 March). A right to convert some of the annual pension into tax-free cash remains.

It is important to note that none of the changes to the scheme regulations were made retrospectively hence the three different pension calculation methods required for members who contributed to the Scheme before 1 April 2008, between 1 April 2008 and 31 March 2014 and since 1 April 2014.

Taking the membership from table 6 and assuming a final pay figure of £25,000 and actual earnings of £25,000 in the year from 1 April 2014 to 31 March 2015 the Scheme benefits would be calculated as shown in table 7.



**Table 7 – Calculating benefits**

<b>Membership period</b>	<b>Membership length</b>	<b>Accrual rate</b>	<b>Pay</b>	<b>Annual pension</b>	<b>Lump sum</b>
01/04/04 – 31/03/08	3 years	1/80 <sup>th</sup>	£25,000	£ 937.50	£2,812.00
01/04/08 – 31/03/14	3 years	1/60 <sup>th</sup>	£25,000	£1,250.00	NIL
01/04/14 – 31/03/15	183 days	1/49 <sup>th</sup>	£12,500	£ 255.10	NIL
			Total	£2,442.60	£2,812.00

It should be noted that although the Scheme changed from being a final salary Scheme to a Career Average Re-valued Earnings (CARE) Scheme from 1 April 2014, the benefits built up before 1 April 2014 are still linked to the member's (full-time equivalent) final pay as at 31 March 2015 whereas the benefits built up from 1 April 2014 are based on the member's actual pensionable pay received in the Scheme year.

### **9.7 The 50/50 section**

Since 1 April 2014 it has been possible for a member of the Scheme to elect to enter into the 50/50 section of the LGPS. Whilst intended to be a short-term election to enable scheme members to pay less during times of financial hardship as opposed to opting out of the Scheme completely, it is possible for a scheme member to contribute to the 50/50 section of the Scheme for their entire membership of the Scheme.

By paying half of their contribution the scheme member only builds up half of their pension. However, they retain full rights to death in service and ill health retirement benefits whilst contributing to the 50/50 section of the Scheme.

There are two occasions upon which a scheme employer must re-enrol a scheme member who has previously elected for the 50/50 section of the Scheme back into the MAIN section of the Scheme and this is when either they reach their automatic-enrolment date or from the point at which the scheme member enters a period of reduced or no contractual pay as a result of an extended sickness absence or because of absence due to child-related leave.

The scheme employer must pay full employer contributions throughout the period that a scheme member elects to enter into the 50/50 section of the Scheme.

### **9.8 The underpin**

The underpin refers to the protections afforded to scheme members who were deemed to be within 10 years of retirement as at 1 April 2012 (in effect aged 55 or over at that date). The underpin protection applies to a scheme member who:

- Was an active member of the Scheme on 31 March 2012;
- Was within 10 years of their Normal Pension Age on 1 April 2012;
- Retires at their Normal Pension Age or continues to work beyond that age;
- Has not had a disqualifying break in public service of more than 5 years; and
- Has not already drawn any benefits before Normal Pension Age under the LGPS Regulations 2013.

The underpin provides for a calculation to be undertaken at Normal Pension Age (NPA) to check that the pension a scheme member builds up to NPA (or would have built up had the member been in the MAIN section throughout) is at least equal to that which would have built up had the Scheme

not changed on 1 April 2014 and if the benefit calculated is less than equal, the difference will be added to the member's Pension Account.

## 9.9 Retirement ages

The Normal Pension Age (NPA) under the LGPS Regulations 2013 is different to the NPA as defined under previous regulations. The NPA for benefits built up before 1 April 2014 continues to be linked to the NPA as defined under the '2008' scheme regulations i.e. age 65 or age 60 in certain circumstances or even a date between age 60 and 65 for some members. Benefits built up since 1 April 2014 are linked to the member's [State Pension Age](#)<sup>31</sup> (SPA) and so if drawn before SPA will be subject to an actuarial (percentage) reduction.

It is important to note that benefits built up before 1 April 2014 cannot be drawn earlier than the benefits built up from 1 April 2014 so a scheme member wishing to retire before their SPA will suffer an actuarial reduction on part or possibly all of their accrued benefits.

An employee can continue to work beyond both their NPA and SPA whilst remaining an active member of the Scheme (subject to the agreement of their employer and up to the age of 75) and where benefits are paid after NPA they will be enhanced to reflect late payment.

In order to draw their benefits, scheme members must leave their employment and not simply opt out of the Scheme unless their employer agrees to flexible retirement (see paragraph 9.10).

## 9.10 Retirement benefits

There are a number of circumstances under which a scheme member is considered to have retired and therefore becomes entitled to the immediate release of their pension benefits.

- 1 Normal retirement
- 2 Redundancy/Business efficiency
- 3 Flexible retirement
- 4 Voluntary retirement
- 5 Ill health retirement
- 6 Late retirement

Each of these will be looked at in more detail throughout this section. It should be noted, however, that to qualify for a retirement pension a scheme member must have at least two years of qualifying scheme membership as defined in [Regulation 3\(7\)](#)<sup>32</sup> of the LGPS Regulations 2013.

### Normal retirement

Normal retirement could be considered to be retirement from the point at which the scheme member is entitled to draw their pension benefits without suffering any actuarial reduction to any part of those benefits due to taking those benefits early or any actuarial increase to any part of those benefits as a result of taking those benefits late. However, because of the different regulations that can now relate to different parts of a scheme member's membership it has become less clear as to what normal retirement actually is as it is likely, in most cases, that a scheme member will require some sort of adjustment to part of their benefits depending upon the sections of the Scheme under which they have contributed and the protections that may have been afforded to them under former regulations when new regulations have been introduced. What is certain is that Normal Retirement Age (NPA) cannot be less than age 60 or more than an individual's State Pension Age (SPA).

---

<sup>31</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/310231/spa-timetable.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/310231/spa-timetable.pdf)

<sup>32</sup> <http://www.lgpsregs.org/index.php/membership>

### Redundancy/Business efficiency

In accordance with [Regulation 30\(7\)](#)<sup>33</sup> of the LGPS Regulations 2013 where a member who has attained the age of 55 or over is dismissed from an employment by reason of redundancy or business efficiency, or whose employment is terminated by mutual consent on grounds of business efficiency, that member is entitled to, and must take immediately, their accrued pension rights without actuarial reduction being applied to those benefits to reflect their early release.

As a result of the early release of pension benefits on the grounds of redundancy or business efficiency, the scheme employer is likely to have to pay a strain, or capital, cost to the Pension Fund to compensate the Pension Fund for the under-funding of those benefits being paid early (at an unreduced rate) as a result of a scheme employer's decision to terminate a scheme member's employment.

Scheme employers are urged to contact the pension team to obtain details of the potential pension costs involved before taking any final decision to make an individual redundant (or to retire them early on business efficiency grounds). If the employer decides to proceed then the strain cost will be calculated at the point that the member's benefits are calculated and an invoice will be sent to the employer for payment within 21 days of issue. A record is kept of all 'early retirement' cases along with details of the invoices raised and sums due. Where payment of the invoice is not made within the required timeframe the employer is sent a notice of unsatisfactory performance in accordance with the scheme manager's [pension administration strategy](#)<sup>34</sup>.

### Flexible retirement

In accordance with [Regulation 30\(6\)](#)<sup>35</sup> of the LGPS Regulations 2013 an active member who has attained the age of 55 or over and reduces their working hours or grade of employment may, with their scheme employer's consent, elect to receive immediate payment of all or part of their accrued retirement pension whilst remaining in employment and continuing to contribute to the LGPS.

The pension benefits payable must be actuarially reduced to reflect their early payment so that they are cost neutral to the scheme employer although in accordance with [Regulation 30\(8\)](#)<sup>36</sup> of the LGPS Regulations 2013, the scheme employer can agree to waive all or part of the actuarial reduction applied to the member's benefits. Scheme employers must issue a statement of policy in respect of this matter (see paragraph 6.3) but should a scheme employer choose to waive any reduction otherwise applied, a strain, or capital, cost will be charged by the Pension Fund on the same basis as described in the section above regarding redundancy and business efficiency.

### Voluntary retirement

In accordance with [Regulation 30\(5\)](#)<sup>37</sup> of the LGPS Regulations 2013 a scheme member who has not attained Normal Pension Age (NPA) but who is aged 55 or over, may elect to receive the immediate payment of their retirement pension providing their employment has ended. As with flexible retirement, the benefits will be actuarially reduced to reflect their early payment although a scheme employer can, under [Regulation 30\(8\)](#)<sup>38</sup> of the LGPS Regulations 2013 agree to waive all or part of that reduction at their cost (see section above regarding flexible retirement).

### Ill health retirement

The provisions for ill health retirement are covered by [Regulations 35 to 39](#)<sup>39</sup> of the LGPS Regulations 2013.

---

<sup>33</sup> <http://www.lgpsregs.org/index.php/benefits>

<sup>34</sup> [http://www3.rbwm.gov.uk/bpf/downloads/download/1/pension\\_fund\\_policies](http://www3.rbwm.gov.uk/bpf/downloads/download/1/pension_fund_policies)

<sup>35</sup> <http://www.lgpsregs.org/index.php/benefits>

<sup>36</sup> <http://www.lgpsregs.org/index.php/benefits>

<sup>37</sup> <http://www.lgpsregs.org/index.php/benefits>

<sup>38</sup> <http://www.lgpsregs.org/index.php/benefits>

<sup>39</sup> <http://www.lgpsregs.org/index.php/illhealth>

Where the employment of a scheme member with at least two years qualifying membership is terminated before their Normal Pension Age (NPA) by a scheme employer on grounds of ill health or infirmity of mind or body, they become entitled to, and must take immediately, early payment of their retirement pension providing they satisfy both of the following conditions:

- 1 They are permanently incapable of discharging efficiently the duties of the employment in which they are engaged; and
- 2 They are not immediately capable of undertaking gainful employment.

There are three tiers of ill health retirement all of which must be considered when a scheme member is to retire as a result of meeting both of the conditions detailed above. The three tiers are:

- Tier 1 – The member is unlikely to be capable of undertaking gainful employment before NPA;
- Tier 2 – The member is not entitled to a tier 1 benefit and is unlikely to be capable of undertaking gainful employment within three years of leaving employment but is likely to obtain gainful employment before reaching NPA;
- Tier 3 – The member is not entitled to a tier 1 or a tier 2 benefit and is likely to obtain gainful employment within three years of leaving employment, or before NPA if earlier.

Gainful employment is defined in [Schedule 1](#)<sup>40</sup> of the LGPS Regulations 2013 as meaning paid employment for not less than 30 hours in each week for a period of not less than 12 months.

Before making any decision as to whether or not a scheme member qualifies for ill health retirement and if so which tier should be applied, a scheme employer must obtain a certificate from an Independent Registered Medical Practitioner (IRMP) qualified in occupational health medicine stating that the member meets both of the conditions regarding permanent incapacity and inability to obtain gainful employment immediately along with a recommendation as to which tier of benefits the member qualifies.

It must be noted that the decision is one for the scheme employer to take having due consideration to the guidance provided by the IRMP.

Only tier 1 and tier 2 provide enhanced benefits to the scheme member (whereas tier 3 does not) as follows:

- Tier 1 – The retirement pension is increased by the value of earned pension that the member would have accrued between the day following the date their employment ended and their NPA;
- Tier 2 – The retirement pension is increased in line with Tier 1 but only to the value of 25% of the additional earned pension as so calculated;
- Tier 3 – The accrued retirement pension to date is released without enhancement and paid for up to a maximum of three years and subject to review by the scheme employer.

---

<sup>40</sup> <http://www.lgpsregs.org/index.php/schedule-1>

Although the release of retirement benefits on the grounds of ill health does generate a strain, or capital, cost for the scheme employer, that cost is not recharged directly to the employer as an ill health retirement cannot be avoided and benefits are not released following a decision by the employer in the same way as for redundancy or business efficiency reasons. Therefore, the Pension Fund Actuary, as part of the triennial valuation process, includes an element for ill health retirement costs when setting the employer contribution rates based on past experience and future assumptions.

#### Late retirement

In accordance with [Regulation 30\(4\)](#)<sup>41</sup> a member who starts to receive payment of their retirement pension after their NPA will receive an enhancement to those benefits in line with actuarial guidance issued by the Secretary of State. This enhancement reflects the fact that the benefits are being paid later than expected and so are increased in the same way as those benefits would be decreased if the member took their retirement pension before their NPA.

### 9.11 Actuarial reduction

As mentioned throughout paragraph 9.10 and in various other parts of this handbook, a scheme member's benefits can be reduced when taken at a date earlier than the member's normal pension age under certain circumstances. Pension benefits are reduced in this way because sufficient funds have not built up in the Pension Fund to allow the full amount of benefits to be released from an earlier than anticipated date.

For example, let us assume that a scheme member has built up a pension to the value of £10,000 at the age of 58. That member's normal retirement age under scheme regulations is 65. The member leaves their employment at the age of 58 with the expectation that their pension of £10,000 will be paid to them from the age of 65. Assuming that the member lives until they are 80 they will receive total pension to the value of £150,000 (disregarding the impact of inflation) in their lifetime (between the ages of 65 and 80). Of course, no-one knows when they are going to die but if that same member elected to take their pension at the age of 58 (7 years early) the Pension Fund would have to find an additional £70,000 of pension to pay the member (between the ages of 58 and 65) but sufficient monies will not have been paid into the Pension Fund to provide for this level of benefit. Therefore, the pension is reduced so that a smaller amount is paid over a longer period of time.

In our example, assuming the scheme member to a man, his pension will be reduced by 32% if he takes his pension 7 years early (see table 8) and so the actual pension payable from the age of 58 is reduced from £10,000 to £6,800. Over his remaining lifetime of 22 years (from age 58 to his assumed death at the age of 80) the total pension payment will be £149,600 (just £400 short of the £150,000 total pension payable between the ages of 65 and 80 at an unreduced rate.

It is for this reason that, when a scheme employer makes a scheme member who is aged 55 or over redundant, they are charged a strain, or capital, cost for the early release of those benefits because scheme regulations do not permit pension benefits to be actuarially reduced under those circumstances.

---

<sup>41</sup> <http://www.lgpsregs.org/index.php/benefits>

**Table 8 – Actuarial reduction factors**

Number of years early	Pension reduction: male %	Pension reduction: female %	Lump sum reduction: both %
0	0	0	0
1	6	5	3
2	11	11	6
3	16	15	8
4	20	20	11
5	25	24	14
6	29	27	16
7	32	31	19
8	36	34	21
9	39	37	23
10	42	40	26
11	45	44	n/a
12	48	17	n/a
13	52	50	n/a

### **9.12 Pensionable Pay**

Pensionable pay is the pay upon which a scheme member has pension contributions deducted. The meaning of pensionable pay is defined by [Regulation 20](#)<sup>42</sup> of the LGPS Regulations 2013, paragraph 1 of which states:

*“An employee’s pensionable pay is the total of:*

- (a) All the salary, wages, fees and other payments paid to the employee, and*
- (b) Any benefit specified in the employee’s contract of employment as being a pensionable emolument.”*

Paragraph 2 then states:

*“But an employee’s pensionable pay does not include:*

- (a) Any sum which has not had income tax liability determined on it;*
- (b) Any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment;*
- (c) Any payment in consideration of loss of holidays;*
- (d) Any payment in lieu of notice to terminate a contract of employment;*
- (e) Any payment as an inducement not to terminate employment before payment is made;*
- (f) Any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision;*
- (g) Any payment in consideration of loss of future pensionable payments or benefits;*

<sup>42</sup> <http://www.lgpsregs.org/index.php/contributions?showall=&start=11>

- (h) Any award of compensation (excluding any sum representing arrears of pay) for the purpose of achieving equal pay in relation to other employees;
- (i) Any payment made by a scheme employer to a member on reserve forces service leave;
- (j) Returning officer, or acting returning officer fees other than the fees paid in respect of:
  - (i) Local government elections;
  - (ii) Elections for the National Assembly of Wales;
  - (iii) Parliamentary elections, or
  - (iv) European Parliamentary elections”.

Since 1 April 2014 non-contractual overtime has been removed from the exclusion list and so the pay upon which an employee contribution is not now deducted is very limited.

It is important to note though that it is the responsibility of the scheme employer to determine the pay upon which contributions are to be deducted, subject to the definitions set out in [Regulation 20](#).<sup>43</sup>

### 9.13 Paying extra contributions

Since 1 April 2014 there have been two ways (linked to membership of the LGPS) in which a scheme member can pay extra contributions in order to increase their retirement income:

- 1 Additional Pension Contributions (APCs) ([Regulation 16](#)<sup>44</sup> of the LGPS Regulations 2013); and
- 2 Additional Voluntary Contributions (AVCs) ([Regulation 17](#)<sup>45</sup> of the LGPS Regulations 2013).

APCs can be paid as a regular contribution over a number of years (minimum of 12 months) or as a lump sum and the maximum additional pension that can be purchased is £6,500 per annum (as at 1 April 2014). The factors used to calculate the cost of purchasing additional pension are issued by the Government Actuary’s Department on behalf of the Secretary of State and can be revised at any time. APCs are deducted from gross pay through payroll and so attract full tax relief.

APCs can also be used to fund amounts of pension ‘lost’ as a result of certain periods of absence. In many cases the cost of purchasing the ‘lost’ pension is shared between the employee and the employer although this would not be the case where the absence arises due to a trade dispute or strike.

AVCs are different to APCs as they do not normally purchase additional LGPS benefits. Instead, AVCs are paid to the administering authority’s preferred AVC supplier, the Prudential, who invest the contributions in funds of the scheme member’s choice. AVCs attract full tax-relief at source in the same way as APCs and are therefore deducted through payroll.

<sup>43</sup> <http://www.lgpsregs.org/index.php/contributions?showall=&start=11>

<sup>44</sup> <http://www.lgpsregs.org/index.php/contributions?showall=&start=7>

<sup>45</sup> <http://www.lgpsregs.org/index.php/contributions?showall=&start=8>

AVCs do provide scheme members with an opportunity to provide additional tax-free cash at retirement subject to HMRC limits. As an alternative to taking tax-free cash a scheme member can take an open-market option to purchase an annuity to provide additional income in retirement. Also, in the case of a scheme member who first contributed AVCs on or after 1 April 2014 it is possible for the member to use the AVC fund to purchase additional pension under the Scheme in accordance with [regulation 17\(7\)](#)<sup>46</sup> of the LGPS Regulations 2013 and [guidance issued by GAD](#)<sup>47</sup>.

The AVC investment options available to members of the LGPS in Berkshire can be viewed on the [Prudential's website](#)<sup>48</sup> where many tools and guides exist to help members decide how they would wish to invest their funds. A whole range of investment vehicles exist from minimal risk deposit accounts to high risk specialist equity funds. The majority of AVC contributors go into the default Prudential with-profits fund which offers a lower to medium risk investment.

A link to the AVC website can be found on the [increasing your pension benefits](#)<sup>49</sup> page of the Berkshire Pension Fund's website and members are advised to view the guidance and instructions provided on the AVC website before taking action. An application form can be viewed, downloaded and printed from the [get started page](#)<sup>50</sup> of the AVC website and members can call the Prudential's Retirement Specialist Team on 0800 0326674.

Once a member has elected to make AVC contributions and their application has been accepted they can gain access to an [on-line member site](#)<sup>51</sup> where they have secure access to their own AVC account details. Members can view their contribution history, their chosen investments, make changes to their investments and use the pension planner.

A Partnership Agreement between the Royal County of Berkshire Pension Fund and the Prudential Assurance Company Limited along with a Local Government AVC Policy Endorsement and a copy of a joint communication plan between the Pension Fund and Prudential is held by the Pension Fund. This includes a calendar of communication activity.

Scheme employers are required to pay all AVC deductions to Prudential by the 19<sup>th</sup> of the following month and where an employer fails to achieve this a notification is sent to the Pension Fund identifying those employers. Such instances will be reported to the Pension Board as part of a stewardship report that also identifies all instances where the administering authority has issued notices of unsatisfactory performance to scheme employers.

Each month Prudential sends a schedule to the administering authority setting out the details of new contributors, AVC leavers and changes to contribution amounts for individual members. The pension team update this information onto each scheme member record on the *altair* system.

Each year Prudential send a governance report to the administering authority. The governance report provides a membership summary, transaction details and information concerning the funds under management, member demographics, fund choices, fund performance and a summary of the Prudential's performance against certain administration service standards.

---

<sup>46</sup> <http://www.legislation.gov.uk/uksi/2013/2356/regulation/17/made>

<sup>47</sup> <http://www.lgpsregs.org/index.php/dclg-publications/dclg-stat-guidance>

<sup>48</sup> <http://www.pru.co.uk/rz/localgov/england-wales/get-started/berkshire/>

<sup>49</sup> [http://www.berkshirepensions.org.uk/bpf/info/11/active\\_members/10/increasing\\_your\\_pension\\_contribution](http://www.berkshirepensions.org.uk/bpf/info/11/active_members/10/increasing_your_pension_contribution)

<sup>50</sup> <http://www.pru.co.uk/pdf/LAVF0863.pdf>

<sup>51</sup> <https://www.pruetire.co.uk/prwl.chi/wui/homepgui.html?hopsess=f61b67834a6508bb11e4b39aa8b4b3c4>



## 9.14 Life cover

From the very first day of joining the LGPS a scheme member receives life cover (in the form of a death grant) equal to three times the member's annual assumed pensionable pay in line with [Regulation 40\(3\)](#)<sup>52</sup> of the LGPS Regulations 2013. The administering authority may, at its absolute discretion, pay the death grant to or for the benefit of the member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependant of the member.

Scheme members are encouraged to complete an [expression of wish](#)<sup>53</sup> form setting out to whom a death grant should be paid in the event of the member's death. This information is recorded on the pension administration system and is made available to members to view, and change, via [my pension ONLINE](#)<sup>54</sup> (an on-line secure member self-service facility) and is also included on annual benefit statements.

Members are encouraged to complete an expression of wish for many reasons but for two reasons in particular. The first is that payment of a death grant can be made very quickly by the administering authority where an expression of wish exists without the need for lengthy delays in obtaining probate or letters of administration. Secondly, by completing an expression of wish form, payment is made to the member's nominee or representative and not to the member's estate thereby ensuring that inheritance tax cannot be levied on the payment.

Deferred and pensioner members of the Scheme also have life cover protection under the scheme regulations but not equal to 3 times the member's assumed pensionable pay. The death grant payable to a deferred member who dies before the date their benefits become payable is equal to 5 times the value of their accrued annual pension at the date of their death in line with [Regulation 43\(3\)](#)<sup>55</sup> of the LGPS Regulations 2013.

The death grant to a pensioner member is based on a 10-year pension guarantee. So, where the pensioner dies before the age of 75 (if death occurs on or after the members 75<sup>th</sup> birthday no death grant is payable), the administering authority will pay a death grant equal to 10 times the value of the annual pension less the amount of pension already paid. This is set out in [Regulation 46\(3\)](#)<sup>56</sup> of the LGPS Regulations 2013. However, since the introduction of the LGPS Regulations 2013 HMRC have confirmed that any death grant linked to membership built up from 1 April 2014 must be based on the pre-commutation pension (i.e. the pension that became payable before any part of it had been converted to lump sum) less the amount of pension paid between retirement and death and less the commuted lump sum. This means that the 10-year guarantee can, in effect, run out prior to the member having received their pension for 10 years.

Both deferred and pensioner members are encouraged to complete an expression of wish.

## 9.15 Protection for dependants

Upon the death of a scheme member, whether an active, deferred or pensioner member of the Scheme, the LGPS regulations provide a considerable range of benefits for their surviving dependants. Survivors' benefits are covered by a number of regulations contained within the LGPS Regulations 2013 as follows:

---

<sup>52</sup> <http://www.lgpsregs.org/index.php/survivors>

<sup>53</sup> [http://www.berkshirerepensions.org.uk/bpf/info/11/active\\_members/14/death\\_in\\_service](http://www.berkshirerepensions.org.uk/bpf/info/11/active_members/14/death_in_service)

<sup>54</sup> [http://www3.rbwm.gov.uk/bpf/info/9/my\\_pension\\_online/57/my\\_pension\\_online/2](http://www3.rbwm.gov.uk/bpf/info/9/my_pension_online/57/my_pension_online/2)

<sup>55</sup> <http://www.lgpsregs.org/index.php/survivors?showall=&start=3>

<sup>56</sup> <http://www.lgpsregs.org/index.php/survivors?showall=&start=6>

- Partners of active members – [Regulation 41](#);<sup>57</sup>
- Children of active members – [Regulation 42](#);<sup>58</sup>
- Partners of deferred members – [Regulation 44](#);<sup>59</sup>
- Children of deferred members – [Regulation 45](#);<sup>60</sup>
- Partners of pensioner members – [Regulation 47](#);<sup>61</sup>
- Children of pensioner members – [Regulation 48](#).<sup>62</sup>

A surviving partner includes a spouse, a co-habiting partner or a civil partner and dependant children are those aged under 18, between the ages of 18 and 23 where they remain in full time education or training or of any age where they became incapacitated before the age of 18 and will always remain dependant.

The ways in which the various dependants' benefits are calculated are complex but some points for consideration are:

- All surviving partners' pensions are payable for life;
- Where an active scheme member dies in service the dependants benefits are calculated in line with a tier 1 ill health retirement (see paragraph 9.9) i.e. with additional pension being added to the expected value of benefits that would otherwise had been built up by the member had they continued to work to their State Pension Age (SPA);
- The pension paid to a 'partner' is calculated on the value of the member's pension prior to any conversion of pension into lump sum that the member may have previously elected to take at retirement;
- A child's pension continues to be paid beyond the age of 18 and indeed 23 where they remain dependent upon the deceased member's surviving partner because of an incapacity that arose before the age of 18;
- The value of a child's pension is increased in value where a surviving partner's pension is not payable.

### **9.16 How benefits are paid**

When a scheme member becomes entitled to a pension they may also become automatically entitled to a retirement lump sum or they may elect to commute part of their pension into tax-free cash.

The calculation of pension benefits is dependent upon leaver details being supplied to the pension administration team by the scheme employer. In addition, the scheme member needs to complete a number of forms such as a bank details form, a lifetime allowance certificate and a form confirming their choice as to how they would like to receive their benefits (split between pension and lump sum).

<sup>57</sup> <http://www.lgpsregs.org/index.php/survivors?showall=&start=1>

<sup>58</sup> <http://www.lgpsregs.org/index.php/survivors?showall=&start=2>

<sup>59</sup> <http://www.lgpsregs.org/index.php/survivors?showall=&start=4>

<sup>60</sup> <http://www.lgpsregs.org/index.php/survivors?showall=&start=5>

<sup>61</sup> <http://www.lgpsregs.org/index.php/survivors?showall=&start=7>

<sup>62</sup> <http://www.lgpsregs.org/index.php/survivors?showall=&start=8>

Once all of the relevant information has been received the pension team will first arrange for any lump sum to be paid as soon as possible after the member's date of retirement. This is achieved through an 'immediate payments' system on *altair* which enables one-off payments to be made on an ad-hoc basis. Payments of contribution refunds, transfers values, inter-fund adjustments etc. are made in this way.

The ongoing payment of a pension, however, is set up on the payroll system for regular monthly payment. The payroll system has a multitude of element codes and cost centres. All pensioners are paid monthly, in arrear, on the last working day of the month (with the exception of December when payment is made in advance of Christmas). All pensioners are paid by BACS (Bankers' Automated Clearing Service) with the exception, currently, of one historic cheque payment.

The pension fund has many pensioners who live overseas and they have the option to have their pension paid via the Transcontinental Overseas Payments System (TOPS) operated by Western Union.

### **9.17 Transferring pension rights**

The transfer of pension rights into and out of the LGPS is covered by [Regulations 96 to 103](#)<sup>63</sup> in Part 2 of the LGPS Regulations 2013. When an individual joins the LGPS they are presented with a welcome pack which includes [a guide to transferring pension benefits](#)<sup>64</sup>. Transfers of pension rights can take place between all types of pension schemes and the rules surrounding transfers are complex and varied depending upon the type of transfer that takes place.

In accordance with [Regulation 100](#)<sup>65</sup> of the LGPS Regulations 2013 an active member of the Scheme with relevant pension rights may request the administering authority, within 12 months of joining the Scheme (or such longer period as their scheme employer may allow in accordance with their policy statement – see paragraph 6.3) to accept a transfer value for some or all of those rights from the relevant transferor. Relevant pension rights are listed in that regulation.

A transfer, in or out of the Scheme, could be between 2 local authority pension funds (referred to as an inter-fund adjustment (IFA)) which provides equivalent rights between the 2 LGPS providers.

In addition to IFAs there are also 'Club' and 'non-Club' transfers. The Public Sector Transfer Club provides for transfers of pension rights between public sector pension schemes on special terms so that upon transfer individuals' benefits are broadly equivalent in either scheme.

Non-Club schemes are those which are not LGPS or other Public Sector schemes and could be a private sector occupational scheme or a personal pension scheme. The value transferred is known as the cash-equivalent transfer value (CETV) calculated in accordance with the pension scheme rules and subject to the relevant actuarial factors that apply to those rules. The receiving scheme applies their actuarial factors and scheme rules as required for the inward transfer of pension rights and offers the individual alternative benefits to those held in the previous fund for credit to the individual's current pension scheme.

No transfer of pension rights ever takes place before the individual concerned has been made aware of the alternative benefits that both schemes will provide and has signed a declaration agreeing to proceed with the transfer. Individuals are reminded at all times that they should seek independent financial advice before taking such a decision.

In some cases, a bulk transfer of pension rights may occur where a group of scheme members are transferred to an alternative registered pension scheme perhaps as a result of a transfer of

---

<sup>63</sup> <http://www.legislation.gov.uk/uksi/2013/2356/part/2/chapter/7/made>

<sup>64</sup> [http://www.berkshirerensions.org.uk/bpf/info/11/active\\_members/73/transferring\\_former\\_pension\\_rights](http://www.berkshirerensions.org.uk/bpf/info/11/active_members/73/transferring_former_pension_rights)

<sup>65</sup> <http://www.legislation.gov.uk/uksi/2013/2356/regulation/100/made>

undertakings. [Regulation 98](#)<sup>66</sup> of the LGPS Regulations 2013 deals with bulk transfers and such transfers will involve the administering authority and its Actuary negotiating the terms of the transfer with their counterparts in the other scheme in an effort to provide the best possible terms for the members involved and better terms than if CETVs were calculated individually.

### **9.18 Forfeiture**

It is possible for a scheme member to lose their right to receive their pension benefits following conviction for an employment-related offence. [Regulations 91 to 95](#)<sup>67</sup> of the LGPS Regulations 2013 sets out the circumstances under which such action may be taken.

A scheme employer may apply to the Secretary of State for a forfeiture certificate where an employee, who is a member of the LGPS, commits a relevant offence in connection with their employment, is convicted of that offence and as a result leaves their employment. A relevant offence is one that is gravely injurious to the State or one that is liable to lead to a serious loss of confidence in the public service.

Where a scheme member leaves an employment in consequence of grave misconduct or a criminal, negligent or fraudulent act or omission, and as a result has incurred some monetary obligation to the scheme employer, the employer may recover or retain out of the pension fund the lesser of the amount of that monetary obligation or the value at the time of recovery or retention of all benefits in respect of the former employee's membership of the Scheme.

Of course, various actions and notifications of intended actions must be communicated by the scheme employer to both the former employee and the administering authority and any dispute over the amount of the monetary obligation may end up in court.

Where the scheme member has an entitlement to a guaranteed minimum pension (GMP) the value of that GMP, and any subsequent value that may become payable to any dependants of the member, cannot normally be included in the amount to be recovered or retained. However, the power to recover these amounts can be exercised where the member is convicted of the offence of treason or of one or more offences under the Official Secrets Acts 1911 to 1989 for which the person has been sentenced to 10 years in prison or two or more consecutive terms of imprisonment amounting to at least 10 years in aggregate.

---

<sup>66</sup> <http://www.legislation.gov.uk/uksi/2013/2356/regulation/98/made>

<sup>67</sup> <http://www.legislation.gov.uk/uksi/2013/2356/part/2/chapter/6/made>