

# Deferred

## Members Newsletter Summer 2014

Brought to you by:



### Welcome to the 2014 edition of the newsletter for deferred members of the Local Government Pension Scheme (LGPS).

This newsletter has been produced jointly by the Shropshire County, Staffordshire and Warwickshire Pension Funds. You should still contact your pension fund directly if you wish to change your personal details using the contact details shown on your Annual Benefit Statement.

### Keep in touch with your pension

If you have changed address recently or are planning a move please let us know, as there may be a delay in paying your benefits if we lose touch.

You can notify us of a change to your personal details by completing the reply slip included with your Annual Benefit Statement or by contacting your Fund.

### Contacting your Pension Fund

If you need to contact the Fund please refer to your Annual Benefit Statement for the details. The information in this newsletter can be provided in large print, audio CD or Braille format.

### New Local Government Pension Scheme from 1 April 2014

The Local Government Pension Scheme (LGPS) has recently gone through changes and from 1 April 2014 a new

scheme is now in place for members who are still employed and contributing to the scheme. Don't worry as most of the changes won't affect you as a deferred member, as your benefits have already been calculated and awarded.

If you re-join the LGPS or start a new employment with access to the LGPS, from 1 April 2014 you will be building up benefits in the Career Average Revalued Earnings Scheme or 'CARE' scheme.

Providing when you re-join the LGPS you have not had a break of service of more than 5 years then you can make an election to the new Local Authority Pension Fund within 12 months of re-joining the scheme to retain the final salary link of your deferred benefits. If you re-join the LGPS and have had a break of more than 5 years then your benefits can either remain deferred or combined with the new scheme from 1 April 2014.

When you re-join the LGPS you should contact your new pension fund to give details of any previous pension entitlements.

### How are my benefits calculated?

#### For membership built up in the scheme to 31 March 2008

For each year of membership you have built up you will receive a pension of 1/80th of your final salary pensionable pay when you left the scheme plus an automatic tax-free lump sum of 3 times your pension.

#### For membership built up between 1 April 2008 & 31 March 2014

For each year of membership you built up from 1 April 2008 to 31 March 2014 you will receive a pension of 1/60th of your final salary pensionable pay when you left the scheme. This means your pension has built up at a higher rate since 2008 but there is no automatic lump sum based on this membership. However, you do have the option when you receive your benefits of exchanging part of your pension to provide a tax free lump sum.

### When are my deferred benefits paid?

Your deferred benefits are normally payable from your Normal Pension Age. Normal Pension Age is age 65 unless you met the 85 year rule protections, then your Normal Pension Age will be between 60 – 65. Your Normal Pension Age is provided in your Deferred Benefit Statement enclosed with this newsletter. Benefits can be paid later but must be paid by age 75. To help you understand when your benefits can be paid please refer to the table below:

Reason for benefits being requested	Reduction applicable to benefits?	Former employers consent required?
Early retirement before Normal Pension Age (60-65)	Y	N
Normal Pension Age	N	N
Late retirement (65-75)	N (Enhancement for late payment may also be paid)	N
Ill Health retirement (any age)	N	Y
Under exceptional compassionate grounds (55+) and at your individual former employers discretion	Y But your former employer can choose to not apply this reduction	Y
Leaver before 1 April 2008; early retirement (50 – 55)***	Y	Y
Leaver after 31 March 2008; early retirement (55 – 60)	Y	Y

\*\*\* WARNING - payment before age 55 will lead to unauthorised tax penalties in the region of 55% of the benefits payable.

### Things to note:

- If you are still in local government employment you may not be able to claim payment of your deferred benefits until that employment has ended.
- If employers consent is required for benefits being requested then you must contact your former employer to discuss this further.
- If benefits are requested under ill health your former employer will arrange for an Independent Doctor qualified in Occupational Health Medicine to review your case.

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

If you choose to retire before your Normal Pension Age your benefits will normally be reduced to take account of being paid for longer. If you were a member of the LGPS on 30 September 2006, you may have Rule of 85 protections which mean that if you take your benefits before your Normal Pension Age you will not suffer an actuarial reduction to some or all of your benefits. If you do receive a reduction how much your benefits are reduced by depends on how early you draw them.

## What reduction is applied if I take my benefits early?

The reduction is based on how early you retire (in years and days). E.g. Benefits paid from age 60 would receive a reduction based on the benefits being paid 5 years early based on a normal retirement age 65. Both your pension and lump sum will be reduced if you decide to take early payment of your benefits. The reduction applied depends on the number of years early the benefits are being paid.

Years Early	Pension Male	Pension Female	Lump Sum (for membership to 31 March 2008)
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%	47%	N/A
13	52%	50%	N/A

## Have the benefits shown on my statement increased from last year's statement?

Yes, your benefits increase each year in line with inflation and the amount shown on your statement includes the increase due this year. The

increase was awarded in April 2014 and it was based on the rise in the CPI over the 12 months to the previous September. The pensions increase for 2014 was set at 2.7% and was applied from Monday 7 April 2014. If you left the scheme after 22 April 2013 you will only receive a proportion of the 2.7%.

## Why is there no automatic lump sum for membership from 1 April 2008 onwards?

As you receive a higher rate of pension for membership from 1 April 2008 there is no automatic tax free lump sum for this membership. However it is still possible to exchange pension for tax free cash. Up to 25% of the overall value of the pension benefits can be taken as a lump sum, with £12 lump sum for each £1 of annual pension given up.

## If I die before receiving my deferred benefit how much is the death grant?

If you left the Local Government Pension Scheme (LGPS) before 1 April 2008, the death grant is the deferred lump sum retirement grant increased in line with the cost of living to the date of your death. If you left the LGPS after 31 March 2008 the death grant is 5 times the annual deferred pension increased in line with the cost of living to the date of your death.

If you are contributing to the

LGPS in another employment any death grant due is limited to the greater of the death in service grant or the pension guarantee from your deferred pension (or multiple deferred pensions).

## Who will my death grant be paid to?

If you have completed an expression of wish form for payment of death grant then your wishes will be taken into consideration but the final decision is at the discretion of the Pension Fund. If you haven't completed a form or wish to change your nomination please contact your Pensions Team to request one.

## Does the scheme make provision for survivor's pensions?

Yes, the Local Government Pension Scheme (LGPS) provides pensions for spouses, registered civil partners and eligible children in the event of your death. If you left the LGPS after 31 March 2008 there is provision for an eligible cohabiting partner pension. The pension payable in the event of death to spouse or partner is shown on your benefit statement.

## Can I transfer my benefits out to another pension scheme or to an overseas arrangement?

You can transfer to most schemes and even overseas if the provider is recognised and registered by HM

Revenue & Customs (HMRC). You may wish to take independent financial advice before making your decision.

Please be aware when considering a transfer that companies are targeting people with retirement savings claiming that they can help to cash in your pension early. They could contact you to tell you that you could be entitled to a cash payment from your pension. However, what they won't tell you is that you will face a tax bill of more than half of your pension savings if you choose to transfer them to another arrangement and receive a cash payment before age 55. This type of arrangement is known as 'pension liberation'. If you

think you have been made an offer to 'liberate' your pension please contact Action Fraud on 0300 123 2040. Or more detailed information can be found on the pensions advisory service website at the following address: [www.pensionsadvisoryservice.org.uk/media/930662/members\\_leaflet.pdf](http://www.pensionsadvisoryservice.org.uk/media/930662/members_leaflet.pdf)

### **I am no longer in the Local Government Pension Scheme (LGPS) but would like to re-join - is this possible?**

You can rejoin the LGPS providing you are under age 75 and work for an employer that offers membership of the scheme.

### **What can I do if I am not happy with a decision made about my Local Government Pension Scheme (LGPS) pension position?**

If you have a concern about your LGPS benefit entitlement, please contact us. We will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible. If you are still dissatisfied you can start the complaints process further information can be found in your Funds Internal Dispute Resolution Procedure (IDRP) guide.

## **Useful Contacts**



### **Request a State Pension Forecast**

If you would like to know how much your state pension will be and when you can take it, you can request one online or by calling the state pension helpline.

**Telephone:** 0845 300 0168

**Website:** [www.gov.uk/state-pension-statement](http://www.gov.uk/state-pension-statement)

### **The Pensions Advisory Service (TPAS)**

Speak to TPAS for independent advice on pension issues or if a complaint needs to be resolved.

**Telephone:** 0845 601 2923

**Website:** [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

### **The Pensions Tracing Service**

Lost contact with an old pension scheme you used to pay into? Use the Pension Tracing Service to track down your old scheme administrator.

**Telephone:** 0845 6002 537

**Website:** [www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension)

### **The Money Advice Service**

This service offers free and impartial money advice.

**Telephone:** 0300 500 5000

**Website:** [www.moneyadviceservice.org.uk/en](http://www.moneyadviceservice.org.uk/en)

### **HM Revenue & Customs (HMRC)**

Contact HMRC if you have an enquiry about general tax issues e.g. tax credits.

**Telephone:** 0845 300 0627

**Website:** [www.hmrc.gov.uk](http://www.hmrc.gov.uk)