

## **Amendments to the Local Government Pension Scheme (LGPS)**

Information for administering authorities to provide to scheme members regarding recent amendments to the LGPS

### **Introduction**

LGPS administering authorities will be aware of the recent changes to the LGPS following the introduction of the LGPS (Amendment) Regulations 2018 which were made on 17 April 2018 and came into force on 14 May 2018. The regulations amend the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

This short document is designed to assist administering authorities when communicating the material changes to scheme members as required under regulation 8 and part 1 of Schedule 2 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

The suggested areas of communication do not include all the amendments made by the amendment regulations and [bulletin 171](#) should be consulted alongside [SI 2018/493](#) for details of all the amendments made by that statutory instrument.

### **Disclosure requirements**

The Disclosure 2013 Regulations require that pension schemes inform all members and beneficiaries of the scheme of any change to the scheme that results in a material change to the basic scheme information, as listed in Part 1 of Schedule 2 of those regulations. The basic scheme information is generally the information that would be included in the brief scheme guide.

Administering authorities should note that, in accordance with regulation 8(5)(a) of the Disclosure 2013 Regulations, no information is required to be given unless it is relevant to the person's rights or prospective rights under the scheme. This leaflet therefore suggests which areas of communication are relevant to the different categories of membership.

With regard to the expansion of the underpin, as the change is backdated to 1 April 2014 administering authorities should review past cases to determine if the underpin should have applied to benefits that are already in payment. If affected members are contacted on an individual basis, in the Secretariat's view, there would be no need to publish the change in a pensioner newsletter.

Communication of the changes should take place as soon as possible, and in any event, within three months of the date of change (i.e. by 13 August 2018).

## Sample text

Changes have been made to the Local Government Pension Scheme (LGPS). These changes, unless indicated otherwise, come into effect from 14 May 2018 and are summarised below.

### *[Deferred / deferred pension credit member newsletter text]*

## Changes to when you can take your deferred benefit

**Early payment of deferred benefits** – if you left the LGPS with a deferred benefit between 1 April 1998 and 31 March 2014 you can now choose to take early payment of your deferred benefits from age 55 (rather than 60). The change to the scheme rules means that you no longer need the consent of your former employer to take your benefits between the age of 55 and 59. Members who left the LGPS with a deferred benefit on or after 1 April 2014 (except councillors) were already able to choose to take early payment of their deferred benefits from age 55 without needing their former employer's consent, and this has not changed.

**Early payment of deferred benefits for leavers before 1 April 1998** - if you left the LGPS with a deferred benefit before 1 April 1998 the scheme rules have been changed to allow you to take your benefit at age 55 (rather than 60) or the date your deferred benefit will be payable without a reduction for early payment – this is called your Normal Pension Age (NPA). Your NPA will be between age 60 and 65 depending on when you joined the scheme – you can find this information on your annual benefit statement.

The Ministry for Housing, Communities and Local Government (MHCLG), who make the scheme rules for the LGPS, have confirmed their intention to allow members who left the LGPS before 1 April 1998 to also be allowed to take early payment of their deferred benefits from age 55 (rather than only allowing payment at age 55 or NPA), without their former employer's consent. This option is already available to people who left the LGPS on or after 1 April 1998. We will update you when we have further news on this.

### **Early payment of deferred benefits for pension credit members**

If you were awarded a share of your ex-spouse's LGPS pension as part of a divorce settlement and you are a pension credit member in the LGPS, you can now elect to take payment of these benefits from age 55 regardless of when the pension sharing order took effect. Before the change, if the pension sharing order took effect before 1 April 2014 or your ex-spouse left the LGPS before 1 April 2014 you could only choose to take early payment from age 60.

### **Reductions to your benefits for early payment**

If you choose to take your deferred benefits earlier than your Normal Pension Age (NPA) they will normally be reduced to take account of the fact that your pension will be paid for longer. How much your deferred benefits are reduced by depends on how early you take them. The reduction is based on the length of time (in years and days) between the date you take them and the date your deferred benefit will be payable without a reduction for early payment. If you are unsure when your NPA is you should check your annual benefit statement.

The early reduction factors are set by the Government and can vary from time to time. The current factors can be found on the national LGPS member website - [www.lgpsmember.org/more/reductions.php](http://www.lgpsmember.org/more/reductions.php)

More information about taking your deferred is available on the national LGPS website - [www.lgpsmember.org/arl/already-left-when.php](http://www.lgpsmember.org/arl/already-left-when.php)

***[Deferred member newsletter text]***

### **Changes to pre- April 2014 AVC contracts**

If you were a member of the LGPS on or after 1 April 2014 and you paid Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014, you will see some changes in how you can take your AVC plan.

When you take your AVC plan:

- you can now buy additional pension from the LGPS with your AVC plan when you take your benefits from the scheme. Before the change, this option was only available to members who took immediate payment of their main scheme benefits and their AVC plan when they left the scheme.
- when you take your main scheme benefits you will no longer be able to leave your AVC invested and take it later.
- if you die before taking your AVC and a lump sum is to be paid from your AVC plan, your pension fund now has absolute discretion over who to pay that sum to (rather than it having to be paid to your estate). If the lump sum is paid at the discretion of the pension fund it does not form part of the estate and will not be subject to inheritance tax.

For information about the other ways you can use your AVC plan see the national LGPS website - [www.lgpsmember.org/more/AVCOptions.php](http://www.lgpsmember.org/more/AVCOptions.php)

***[Active member newsletter text]***

**Changes to pre- April 2014 AVC contracts** – if you are a member of the LGPS who is, or was, paying Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014, you will see some changes to the way your AVCs are calculated and how you can take your AVC plan.

If you are currently paying AVCs:

- you can now pay up to 100% (rather than 50%) of your pensionable pay into your AVC plan.
- AVCs will now also be deducted from any voluntary overtime you work (if you pay AVCs as percentage of your salary).

When you take your AVC plan:

- if you leave the scheme with a deferred benefit you can now buy additional pension from the LGPS with your AVC plan when you take your benefits from the scheme. Before the change, this option was only available to members who took immediate payment of their main scheme benefits and their AVC plan when they left the scheme.
- when you take your main scheme benefits you will no longer be able to leave your AVC invested and take it later.

- if you die before taking your AVC and a lump sum is to be paid from your AVC plan your pension fund now has absolute discretion over who to pay that sum to (rather than it having to be paid to your estate). If the lump sum is paid at the discretion of the pension fund it does not form part of the estate and will not be subject to inheritance tax.

For information about the other ways you can use your AVC plan see the national LGPS website - [www.lgpsmember.org/more/AVCOptions.php](http://www.lgpsmember.org/more/AVCOptions.php)

***[Active / deferred / pensioner member newsletter text]***

### **Expansion of the underpin**

The way your pension is calculated in the LGPS changed from 1 April 2014. If you were a member of the LGPS before 1 April 2014 any benefits built up to 31 March 2014 are protected as final salary benefits and will normally be calculated using your membership to 31 March 2014 and your final year's pay.

An additional protection was put in place for members who were active members of the LGPS on 31 March 2012 and who were within 10 years of age 65 at 1 April 2012. Subject to certain conditions, these members will get a pension at least equal to that which they would have received had the scheme not changed on 1 April 2014. This protection is known as the underpin.

This underpin protection has now been extended to also apply to people who were active members of a different public service pension scheme on 31 March 2012 and who were within 10 years of age 65 on 1 April 2012; if these people join the LGPS and transfer their pension benefits from the other public service pension scheme into the new LGPS scheme and part or all of that transfer buys final salary benefits in the LGPS, subject to certain conditions, the underpin will apply.

This change takes effect from 1 April 2014.

More information on the underpin is available on the national LGPS website - [www.lgpsmember.org/more/underpin.php](http://www.lgpsmember.org/more/underpin.php)

#### **Disclaimer**

This leaflet has been prepared based on the LGPC Secretariat's understanding of the information presently available including the relevant legislation governing the Local Government Pension Scheme and associated overriding legislation. It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the Local Government Association for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by reads relying on information contained herein.