

# Aggregation – leaflets for re-joiners

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## Introduction

This guide includes template documents for administering authorities in England and Wales to use to tell a member about their aggregation options. An administering authority will need to give this information when:

* a former Scheme member with deferred benefits re-joins the LGPS, or
* LGPS membership ends in one job in which the member would qualify for deferred benefits and the individual continues as an active member in another job.

This guide includes a template letter and election form for each aggregation scenario where aggregation is not compulsory. It also includes further notes to help the individual make their decision. We have added a brief description of the scenario to help administering authorities identify which letter to use. This document is not intended to be a comprehensive guide to aggregation. For more information about the rules that govern aggregation and the different scenarios, see the Aggregation Technical Guide. You can find the guide on the [Administrator guides and documents](https://www.lgpsregs.org/resources/guidesetc.php) page of [www.lgpsregs.org](http://www.lgpsregs.org).

The template letters contain variable text. The administering authority should add the text that is appropriate to the Scheme member and the particular circumstances of the aggregation scenario. This variable text is shown in [square brackets].

### Areas not covered in this document

#### Compulsory aggregation

This document does not cover cases where aggregation is compulsory. Aggregation is generally compulsory when:

* A former Scheme member with a deferred refund re-joins the LGPS, or
* LGPS membership ends in one job and the member would not qualify for deferred benefits but the individual continues as an active member in another job.

The member does not have to make a decision in these cases and therefore there is no need to send a ‘quote’ letter. Administering authorities must complete the compulsory aggregation and inform the member that this has taken place.

#### Councillor members

The template letters do not cover councillor members of the LGPS. Aggregation is only possible for councillor members in very limited circumstances. The following rules apply to councillor members:

* deferred LGPS benefits built up as a councillor cannot be aggregated with active membership as an employee
* a councillor in Wales who is an active member cannot aggregate previous LGPS deferred benefits built up as an employee
* a councillor in Wales who is an active member cannot aggregate previous LGPS deferred benefits built up as a councillor with a different administering authority
* a councillor in Wales can aggregate deferred benefits built up as a councillor when they re-join the LGPS with the same administering authority.

#### Aggregation under earlier regulations

The template letters do not cover aggregation under the former regulations. There may be instances where an employer allows a late aggregation. In these circumstances, the administering authority may need to use and adapt the aggregation documents that were in use before 1 April 2014. This would apply where:

* a member left and re-joined the LGPS before 1 April 2014
* membership ended in a concurrent post before 1 April 2014.

### Deadline date

Administering authorities will need to add a deadline date to the aggregation letters. For an active member, this date will generally be:

* 12 months from the date the member re-joined the LGPS if membership is consecutive
* 12 months from the date membership ended in one post if membership is concurrent
* a later date that the Scheme employer has agreed to. A Scheme employer has the power to allow the member extra time to make a decision concerning aggregation. It does **not** have the power to extend the deadline for a member to elect to be treated as a member on 31 March and 1 April 2014 in scenario D2. The employer may allow the member a longer period to decide whether to aggregate previous membership in scenario D2. If the member elects to go ahead more than 12 months after re-joining, the transfer value of the deferred benefits will be used to buy pension in the CARE scheme.

Administering authorities may wish to allow a shorter deadline in some circumstances – particularly if the member has left the LGPS or their leaving date is approaching. However, the regulations allow a member 12 months from re-joining the LGPS to make an election about aggregation. An earlier deadline could be challenged if the member makes an election after that date but within 12 months of re-joining (or within 12 months of membership ending in a concurrent post).

### Disqualifying gaps and LGPS breaks

How the member’s benefits are worked out may depend on the length of any break. Two different types of break are relevant to the aggregation process:

**Disqualifying gap:** a gap of more than five years in which the individual was not a member of the LGPS or any other public service pension scheme. If a member has a disqualifying gap and aggregates, the value of any final salary benefits would be used to buy pension in the CARE scheme.

**LGPS break:** the period between leaving and re-joining the LGPS, if the leaving date was after 31 March 2014. If the LGPS break is five years or less, the CARE benefits are adjusted as if in-service revaluation had applied instead of pensions increase. If the LGPS break is more than five years, there is no adjustment. Pensions increase continues to apply to CARE benefits for the period of the break.

### Multiple pension accounts

An individual may have more than one active or deferred pension account. This will affect their aggregation options. This guide and template letters do not try to cover every scenario that involves an individual with multiple memberships. In simple terms the scenarios are:

* A member with deferred benefits re-joins the LGPS in two or more posts on the same day. The regulations are silent on this issue. Administering authorities may choose to offer the aggregation option on all active pension accounts. If aggregation is automatic, the member does not elect for separate benefits and does not choose which pension account to aggregate the deferred benefits with, then the administering authority must choose.
* The member has three or more concurrent active pension accounts and membership in one of them ends after 31 March 2014. Aggregation is automatic unless the member elects for separate benefits. The member may choose within 12 months which active pension account to attach the deferred benefits to. If the member neither elects for separate benefits nor elects which pension account to aggregate with, the administering authority must choose which pension account to aggregate the deferred benefits with.
* The member re-joins the LGPS in more than one employment on different dates. The member should be offered the option of aggregating their deferred benefits with the active pension account that started first. If the member elects for separate benefits (or makes no aggregation election within 12 months of re-joining the LGPS in a scenario when aggregation is not automatic) then the administering authority can offer the option to aggregate the deferred benefits with the pension account with a later starting date.
* Membership ended in two or more posts on the same date and the member has one ongoing membership or later re-joins in one job. The previous deferred benefits should be treated separately. The member can choose to aggregate none, one or more than one of the sets of deferred benefits with the active pension account.

An administering authority may choose to amend the aggregation quote letter to allow a member to choose which active pension account to aggregate the deferred benefits with. The text below can be used for this purpose:

“You have more than one active pension account because you have more than one job in which you are contributing to the LGPS. If you decide to combine your benefits, you will need to use the enclosed option form to tell us which active pension account you want your deferred benefit to be combined with.”

Further changes will be needed to the template letters, including:

* Adding a section to the option form to allow the member to choose which active pension account they want to aggregate their deferred benefits with
* If the deferred benefits that include final salary membership that will remain final salary benefits after aggregation (scenarios B2 and D2), the figures included in the quote letter will need to be changed. These could either be removed or adapted to give a comparison of the benefits after aggregation on two (or more) different active pension accounts.

### Variable time employment

A special adjustment is needed if a member:

* built up deferred benefits in a variable time employment, and
* later re-joins in a job that is not variable time.

Variable time employment means employment in which pay is calculated by reference to duties rather than by the number of hours worked. Pay is fixed regardless of how long it takes the person to do the work.

How to calculate the adjustment is set out in regulation 87(2) of the LGPS (Administration) Regulations 2008.

In general, this adjustment will only be made to pre-1 April 2014 membership when the member aggregates under scenario B2 or D2 and the final salary benefits remain final salary benefits after they are combined. However, administering authorities must calculate a notional amount of post-1 April 2014 final salary service in respect of members protected by the underpin. They must use the same adjustment to work out notional final salary service for the period 1 April 2014 to 31 March 2022 – the remedy period. Administering authorities may wish to perform the same calculation now for the remedy period for all members who may be protected by the underpin after the LGPS regulations are changed to implement the McCloud remedy.

The following paragraph will need to be added to the quote letter if the membership to be aggregated is variable time:

The membership you built up before 1 April 2014 was variable time and your current job is not variable time. If you decided to combine your benefits, we will adjust your final salary membership from your deferred benefits to make sure you get the appropriate level of membership for that period. We will adjust the membership you built up in the final salary scheme in the variable time post (FS membership) based on the difference between the annual pay in your variable time post (variable pay) and the annual pay in your ongoing job (current pay). The adjusted membership is worked out like this:

Adjusted membership = FS membership × variable pay ÷ current pay

### Opt out after 10 April 2015

Special rules apply if a member became entitled to deferred benefits as a result of opting out of the LGPS after 10 April 2015. If the member later re-joins the LGPS, they cannot aggregate the deferred benefits with their active pension account. In producing these templates, we have assumed that administering authorities will share information about opt outs at the start of the interfund process. Administering authorities should not send the member an aggregation quote letter if the option to aggregate is not open to them.

Where relevant, we have included a question on the member option form concerning opting out after 10 April 2015. The purpose of this question is to create a further opportunity to stop aggregation occurring when the regulations prevent it.

### Group 1 and 2 members

These templates generally do not cover protections for Group 1 or 2 members. Group 1 members are now all over age 65, and so any rule of 85 protection has no effect. The taper period ended on 31 March 2020, so Group 2 members have no rule of 85 protection on benefits they are building up now. References to the rule of 85 are included where the member’s election to aggregate could impact their protection.

If you are offering aggregation options outside an individual’s first year of LGPS membership, you may need to amend the letter to cover the impact of the decision on the member’s rule of 85 protection.

### Paying extra

The member notes that go with the aggregation quote letters explain what happens if the member was previously paying extra contributions.

In preparing these template letters, we have assumed that the administering authority will correspond with the member separately concerning their options if they have an AVC ‘attached’ to the deferred benefits. Administering authorities may instead want to add further information about AVCs to their versions of the template letters to fit in with their local processes.

### The lifetime allowance

The Government has confirmed that no one will pay a lifetime allowance tax charge in the 2023/24 tax year, and that the lifetime allowance will be abolished completely from 6 April 2024.

The maximum amount of tax free cash that a member can take on retirement is limited to £268,275 – 25 percent of the lifetime allowance in force in 2023/24.

The option to swap pension for tax-free cash will be explained to the member when they retire. This is not an issue that they need to consider when they are making a decision about aggregation. We have therefore removed all references to the lifetime allowances from the template letters.

We will review and update the letters to reflect any future changes in Government policy about the lifetime allowance.

## Template letters

### A2: post 31/03/2014 benefits only

#### Scenario A2: summary

* The member has deferred benefits built up after 31 March 2014 or treated as being built up after 31 March 2014 only.
* The member can elect for separate benefits. Aggregation is automatic if they do not elect for separate benefits.
* If the LGPS break is five years or less, the amount transferred is adjusted so that in-house revaluation applies instead of Pensions Increase.
* Any AVC must be transferred if the main Scheme benefits are transferred.

#### Scenario A2: template letter and option form

**Deferred benefits in the [previous fund] Pension Fund**

[*Wording if membership is consecutive:* You have re-joined the LGPS and you have deferred benefits in the Scheme.] [*Wording if membership is concurrent:* You have deferred benefits for your membership that has ended and you remain an active LGPS member in your current job.] You can now decide what happens to those deferred benefits. This letter explains your options.

**Decision needed by [deadline date]**

Your deferred LGPS benefits are separate from your active pension account. If you want to keep your deferred benefits separate, you must tell us by [deadline date].

If you choose to combine your benefits or if you do not make a decision by [deadline date], your deferred benefits will be added to your active pension account.

It is important that you make the right decision. The leaflet *What to consider if you have deferred LGPS benefits (1)* should help you to understand your options.

**What you need to do now**

Once you have decided, please fill in the enclosed option form. If we do not receive your form by [deadline date], your deferred benefits will be added to your active pension account. Once you have made your decision, you cannot change it.

**If you want to keep separate benefits, you must fill in and return the option form by [deadline date].**

Please get in touch if you need any more information.

Yours sincerely

Enclosed: Combining LGPS benefits – Option form  
Leaflet *What to consider if you have deferred LGPS benefits (1)*

**Local Government Pension Scheme (LGPS)  
Combining LGPS benefits – Option form**

**Your name: [Member name] NI number: [NINO]**

Use this form to let us know if you want your deferred benefits from [previous fund] to be added to your active LGPS pension account. Please choose Option 1 or Option 2.

If you do not let us know your decision by [deadline date], then your deferred benefits will be added to your active pension account.

**Option 1: Combined benefits**

**I choose to combine my deferred benefits from [previous fund] with my active pension account.**

**I understand that this decision is final and I cannot change my mind later.**

**[*wording for consecutive cases only* I confirm that I did not become entitled to these deferred benefits because I opted out of the LGPS after 10 April 2015.]**

**Signed: Date:**

If you have paid additional voluntary contributions (AVCs), they must be transferred to the AVC arrangement offered by [current fund].

Do you have an AVC fund linked to your deferred benefits? YES NO  
(please delete one)

**Option 2: Separate benefits**

**I choose to keep my deferred benefits from [previous fund] separate from my active pension account.**

I understand that my decision is final and I will not be able to combine my benefits at a later date while I am in my current job.

**Signed: Date:**

**REMEMBER:** If you do not return this form by [deadline date], your deferred benefits will be combined with your active pension account.

Please return the completed form to us:

By post: [pension administrator’s address]

Email a scanned copy to: [pension administrator’s email address]

#### Scenario A2: Member notes

**Local Government Pension Scheme (LGPS)  
What to consider if you have deferred LGPS benefits (1)**

This leaflet looks your options if you are an active member of the LGPS and you have deferred benefits in the Scheme.

You can choose to:

* join your deferred benefits with your active pension account so that you have one set of benefits, or
* keep separate benefits.

**If you do not make a decision to keep separate benefits within the time limit set out in the letter that we sent with these notes, your deferred benefits will be combined with your active pension account.**

There are many things to think about before you decide. In this leaflet we look at the most important ones. You may want to get independent financial advice. You can find out how to choose a financial adviser on the Financial Conduct Authority (FCA) website: [www.fca.org.uk/consumers/what-ask-adviser](http://www.fca.org.uk/consumers/what-ask-adviser).

The main things you need to think about when making your decision are:

1. How are my deferred LGPS benefits worked out?
2. When will my benefits be paid?
3. What are the key differences if I choose separate benefits?
4. Is there anything else to consider?

**1. How are my deferred LGPS benefits worked out?**

The benefits from your previous membership will be worked out in the same way if they are combined or if they are kept separate.

**Working out your LGPS pension** – each year you build up pension based on your pensionable pay. The Scheme year runs from 1 April to 31 March. The pension you build up is:

* 1/49th of your pensionable pay if you are in the main section of the Scheme
* 1/98th of your pensionable pay if you are in the 50/50 section of the Scheme.

The pension you build up each year is added to your pension account. It is revalued every 6 April so your pension keeps up with the cost of living.

**Pensionable pay from 1 April 2014:** pensionable pay is the pay that you pay LGPS contributions on. If you are away from work and your pay reduces or stops because of sickness or injury, relevant child related leave or reserved forces leave, your pension is worked out using assumed pensionable pay instead. Assumed pensionable pay is an estimate of the pay you would have had if you were not away from work.

**2. When will my benefits be paid?**

You can take your LGPS pension with no reduction for early payment from your Normal Pension Age. Your Normal Pension Age is your State Pension age with a minimum of age 65. Your Normal Pension Age is the same whether you combine your benefits or choose to keep them separate.

If you choose to take your LGPS pension before your Normal Pension Age it will be reduced because it is being paid earlier. If you take it later than your Normal Pension Age it will be increased because it is being paid later. The size of the reduction or increase is based on how many years and days before or after your Normal Pension Age you take your pension.

**3. What are the key differences if I choose separate benefits?**

**Redundancy, business efficiency and ill health retirement**

If you are made redundant or lose your job for business efficiency reasons when you are over 55, or if you retire due to ill health at any age, your pension will be paid immediately. There would be no reduction to your pension, even if you are under your Normal Pension Age when you retire.

The Government has announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering redundancy and efficiency retirement will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** Benefits paid early would include the value of the deferred benefits that have been combined with your active pension account.

**Option 2 - Separate benefits:** Benefits paid early **would not** include the value of the deferred benefits because you had chosen to keep them separate.

Generally, the separate deferred benefits would be paid from your Normal Pension Age.

Your separate deferred benefits may be paid on ill health grounds. That will happen if your former employer decides that:

* you are permanently incapable of the job you were working in when you became deferred, and
* you are not likely to be capable of gainful employment for the next three years or before your Normal Pension Age if this is sooner.

Gainful employment is paid employment of 30 hours a week for at least a year. Your former employer must get the opinion of an independent doctor before making its decision.

**Early payment of your pension**

You can choose to take your pension at any time from age 55. It will normally be reduced if you take it early.

The Government has announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering early payment will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** The combined benefits would be paid if you choose to take your pension early. They cannot be paid at different times. You cannot take the combined benefits until you have left your current job.

**Option 2 - Separate benefits:** You do not have to take the deferred benefits at the same time that you take the benefits in your active pension account. You can take your deferred benefits even if you are still in your current job.

**Cost of living increases**

**Option 1 - combined benefits:** In most cases, the value of your deferred benefits will be added to your active pension account and it will not change. For a small number of members, the value of your deferred benefits may fall slightly if you choose to combine your benefits. This could happen if:

* the gap between the date your earlier membership ended and the new membership started is five years or less, and
* the cost of living adjustment that applied in any of the years in that period was negative.

The combined benefits will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is ever negative, **revaluation will be negative**.

**Option 2 - Separate benefits:** The pension in your active pension account will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is ever negative, **revaluation will be negative**.

The deferred benefits will be revalued each year in line with the Consumer Prices Index. However, if inflation is ever negative, your deferred LGPS pension would not reduce. It would stay at the same level.

**4. Is there anything else to consider?**

**Death in service lump sum**

If you die in service as a member of the LGPS, a lump sum death grant is paid. The lump sum is normally three times your yearly pensionable pay.

If you have a deferred LGPS pension and you die before it is paid, a death grant of five times the deferred pension is paid.

However, only one death grant is paid.

**Option 1 – Combined benefits:** If you die as an active member, a death grant of three times your yearly pay would be paid

**Option 2 – Separate benefits:** If you die as an active member, the greater of the death grant for your active pension account or your deferred benefits would be paid.

**Paying extra contributions**

LGPS members can pay extra to increase their pension benefits. You may have paid extra using one of the arrangements described below. If you have, you need to understand what happens to any payments you have already made and whether you can carry on paying extra contributions.

1. **Additional pension contributions (APCs):** These are contracts to buy extra or lost pension taken out after 31 March 2014. This includes extra and lost pension that you or your employer have paid for.

Any APC arrangement to buy extra pension stops when you leave the job it is linked to.

**Option 1 – Combined benefits:** Any extra pension you have bought by paying APCs will be added to your active pension account.

**Option 2 – Separate benefits:** any extra pension you have bought will be paid when you take your deferred pension.

You cannot continue to pay towards your last APC arrangement in your new job. You can start a new APC arrangement. Contact us for more information.

1. **Additional voluntary contributions (AVCs):**

**Option 1 – Combined benefits:** Your AVCs must be transferred to an AVC arrangement offered by your new pension fund.

**Option 2 – Separate benefits:** the AVCs will remain linked to your deferred benefits. You can begin a new AVC linked to your active pension account if you want to.

**Transferring your deferred benefits to another pension scheme**You can transfer your LGPS benefits to another pension scheme, but there are strict rules about pension transfers:

* you cannot transfer if you are within a year of your Normal Pension Age
* you cannot transfer when you are paying into the LGPS
* you must transfer all your LGPS benefits at the same time, even if they are held in different pension funds.

If you choose separate benefits, you cannot transfer your deferred benefits to another pension scheme until your current LGPS membership ends.

**Tax limits – the Annual allowance**

The Annual allowance limits the amount you can save towards your pension in a year. You may have to pay extra tax if you save more than the limit.

**Option 1 – Combined benefits:** could have a very smalleffect on the Annual allowance

**Option 2 – Separate benefits:** no effect on the Annual allowance.

Most members will not be affected by the Annual allowance. However, some members may exceed the Annual allowance, particularly higher earners and those paying extra pension contributions.

You can find out more about the Annual allowance from the Government’s website: [www.gov.uk/tax-on-your-private-pension](http://www.gov.uk/tax-on-your-private-pension).

**Further information**If you have any questions about your options, please get in touch.

Write to: [pension administrator’s address]

Phone: [pension administrator’s phone number]

Email: [pension administrator’s email address]

*This is a brief leaflet about joining LGPS benefits together. It cannot cover every circumstance. If there is any dispute over your pension benefits, the appropriate legislation will apply. This leaflet does not give you any contractual or legal rights and is for information purposes only.*

### B2 consecutive: Pre and post 31 March 2014 benefits, no disqualifying gap

#### Scenario B2 (consecutive): summary

* The member has deferred benefits built up before and after 31 March 2014.
* The member does not have a disqualifying gap since leaving. A disqualifying gap is a period of more than five years in which they did not contribute to the LGPS nor any other public service pension scheme.
* The member can elect for separate benefits. Aggregation is automatic if they do not elect for separate benefits.
* The LGPS break could be more or less than five years. If the LGPS break is five years or less, the career average benefits aggregated are adjusted so that in-house revaluation applies instead of Pensions Increase.
* Final salary benefits remain final salary benefits after transfer.
* Any post 2014 AVC must be transferred if the main Scheme benefits are aggregated. A protected post 2014 AVC plan must be transferred if the main scheme benefits are aggregated, unless the member elects not to transfer it.

#### Scenario B2 (consecutive): template letter and option form

**Deferred benefits in the [previous fund] Pension Fund**

You have re-joined the LGPS and you have deferred benefits in the Scheme. You can now decide what happens to those deferred benefits. This letter explains your options.

**Decision needed by [deadline date]**

Your deferred LGPS benefits are separate from your active pension account. If you want to keep your deferred benefits separate, you must tell us by [deadline date].

If you choose to combine your benefits or if you do not make a decision by [deadline date], your deferred benefits will be combined with your active pension account.

It is important that you make the right decision. The leaflet *What to consider if you have deferred LGPS benefits (2)* should help you to understand your options.

**Option 1 - Combined benefits**

If you choose Option 1, any benefits you built up in the career average scheme from 1 April 2014 will be added to your active pension account.

Any final salary benefits built up before 1 April 2014 are worked out using your final pay. Final pay is normally the pensionable pay you earn in your final year of LGPS membership. If you work part time, the full time pay for your job will be used.

If your membership is combined, the final salary benefits paid when you take your pension will be based on your final pay in your current job.

**IMPORTANT:** You need to think about whether the final pay in your current job is likely to be higher than the final pay used to work out your deferred final salary benefits. To make a proper comparison, cost of living increases are added to the pay used to work out your deferred benefits to bring it up to today’s value.

You can use the information below to compare the pay figures to help you make your decision:

**Date previous membership ended \*\*/\*\*/\*\*\*\***

**Final pay from your previous job £\*\*\*\*\*.\*\***

(includes cost of living increases to date)

**Estimate of pay in your current job £\*\*\*\*.\*\***

If you work or have worked part time, the full-time pay for your job is shown above. This is because full-time pay is used to work out your final salary pension benefits.

If your deferred benefits are added to your current membership, they would be worth:

**Yearly pension**: **£x,xxx.xx**

**Tax-free lump sum: £xx,xxxx**

Before you decide, you should compare these figures with the current value of your deferred benefits – see below.

**Option 2 – Separate benefits**

You may choose to keep your deferred benefits separate. If you do, they will continue to increase in line with the cost of living.

The current value of your deferred benefits is:

**Yearly pension: £x,xxx.xx**

**Tax-free lump sum: £xx,xxx.xx**

**What you need to do now**

Once you have decided, please fill in the enclosed option form. If we do not receive your form by [deadline date], your benefits will be combined. Once you have made your decision, you cannot change it.

**If you want to keep separate benefits, you must fill in and return the option form by [deadline date].**

Please get in touch if you need any more information.

Yours sincerely

Enclosed: Combining LGPS benefits – Option form  
Leaflet *What to consider if you have deferred LGPS benefits (2)*

**Local Government Pension Scheme (LGPS)  
Combining LGPS benefits – Option form**

**Your name: [Member name] NI number: [NINO]**

Use this form to let us know if you want your deferred benefits from [previous fund] to be added to your active pension account. Please choose Option 1 or Option 2.

If you do not let us know your decision by [deadline date], then your deferred benefits will be added to your active pension account.

**Option 1: Combined benefits**

**I choose to combine my deferred benefits from [previous fund] with my active pension account.**

**I understand that this decision is final and I cannot change my mind later.**

**I confirm that I did not become entitled to these deferred benefits because I opted out of the LGPS after 10 April 2015.**

**Signed: Date:**

[***Post 2014 AVC wording:*** If you have paid additional voluntary contributions (AVCs), they must be transferred to the AVC arrangement offered by [current fund].

Do you have an AVC fund linked to your deferred benefits? YES NO  
(please delete one)]

[***Protected post 2014 AVC wording:*** If you have paid additional voluntary contributions (AVCs), they will be transferred to the AVC arrangement offered by [current fund], unless you choose to keep them separate.

Do you have an AVC fund linked to your deferred benefits? YES NO  
(please delete one)

Do you want to transfer the AVC to the [current fund] AVC? YES NO  
(Please delete one)]

Please see the enclosed ‘What to consider if you have deferred LGPS benefits’ leaflet for more information about your AVC options.

**Option 2: Separate benefits**

**I choose to keep my deferred benefits from [previous fund] separate from my active pension account.**

I understand that my decision is final and I will not be able to combine my benefits at a later date while I am in my current job.

**Signed: Date:**

**REMEMBER:** If you do not return this form by [deadline date], your deferred benefits will be combined with your active pension account.

Please return the completed form to us:

By post: [pension administrator’s address]

Email a scanned copy to: [pension administrator’s email address]

#### Scenario B2 (consecutive): Member notes

**Local Government Pension Scheme (LGPS)  
What to consider if you have deferred LGPS benefits (2)**

This leaflet looks at your options if you are an active member of the LGPS and you have deferred benefits in the Scheme.

You can choose to:

* join your deferred benefits with your active pension account so that you have one set of benefits, or
* keep separate benefits.

**If you do not make a decision to keep separate benefits within the time limit set out in the letter that we sent with these notes, your deferred benefits will be combined with your active pension account.**

There are many things to think about before you decide. In this leaflet we look at the most important ones. You may want to get independent financial advice. You can find out how to choose a financial adviser on the Financial Conduct Authority (FCA) website: [www.fca.org.uk/consumers/what-ask-adviser](http://www.fca.org.uk/consumers/what-ask-adviser).

The main things you need to think about are:

1. How are my deferred LGPS benefits worked out?
2. When will my benefits be paid?
3. What are the key differences if I choose separate benefits?
4. Is there anything else to consider?

**1. How are my deferred LGPS benefits worked out?**

How your LGPS benefits are worked out depends on when they were built up. You built up final salary benefits before 1 April 2014. Since then, you have built up career average benefits.

**Working out your LGPS pension from 1 April 2014** – each year you build up pension based on your pensionable pay. The Scheme year runs from 1 April to 31 March. The pension you build up is:

* 1/49th of your pensionable pay if you are in the main section of the Scheme
* 1/98th of your pensionable pay if you are in the 50/50 section of the Scheme.

The pension you build up each year is added to your pension account. It is revalued every 6 April so your pension keeps up with the cost of living.

**Pensionable pay from 1 April 2014:** pensionable pay is the salary that you pay LGPS contributions on. If your pay reduces or stops because of sickness or injury, relevant child related leave or reserved forces leave, your pension is worked out using assumed pensionable pay instead. Assumed pensionable pay is an estimate of the pay you would have had if you were not away from work.

**Working out your final salary benefits**For membership from 1 April 2008 to 31 March 2014, you get a pension of 1/60th of your final pay.

For membership up to 31 March 2008, you get a pension of 1/80th of your final pay, plus a tax-free lump sum of three times that pension.

**Final pay for final salary benefits**Final pay is usually your pensionable pay in your final year of membership. The pay from one of the two previous years can be used if it is higher. If you work part time, final pay is the full time pay for your job. Final pay does not include non-contractual overtime.

**Option 1 – Combined benefits:** your deferred benefits will be combined with your active pension account:

* The membership you built up before 1 April 2014 will still be final salary membership. It will be linked to your active pension account.
* The pension you have built up in the career average scheme from 1 April 2014 will be added to your active pension account.

**Option 2 – Separate benefits:** There will be no change to your deferred benefits. You will continue to build up career average benefits in your active pension account.

**2. When will my benefits be paid?**

You can take your LGPS pension with no reduction for early payment from your Normal Pension Age. Your Normal Pension Age for the benefits you have built up from 1 April 2014 is your State Pension age with a minimum of age 65.

**Option 1 - Combined benefits:** the Normal Pension Age of your career average benefits built up from 1 April 2014 will not change.

Your Normal Pension Age for the benefits you built up in the final salary scheme before 1 April 2014 is protected at age 65. If your deferred benefits are combined with your active pension account, then any final salary benefits will remain final salary benefits with a Normal Pension Age of 65.

If you choose to take your LGPS pension before your Normal Pension Age, it will be reduced because it is being paid earlier. If you take it later than your Normal Pension Age it will be increased because it is being paid later. The size of the reduction or increase is based on how many years and days before or after your Normal Pension Age you take your pension.

If you have Rule of 85 protections, these may still apply. See the next section for more information.

**Option 2 – Separate benefits:** the date your benefits are paid from will not change. Your Normal Pension Age for benefits built up from 1 April 2014 is your State Pension age with a minimum of age 65. Your Normal Pension Age for benefits built up before 1 April 2014 is age 65.

**What is the Rule of 85?**Some or all of your deferred benefits may be protected by the Rule of 85. If you are protected, some of your benefits could be paid before your Normal Pension Age without being reduced for early payment. The Rule of 85 is satisfied when you take your benefits if:

* your age in full years plus
* your length of LGPS membership in full years

add up to 85 or more.

If you work part-time, your membership counts towards the Rule of 85 at its full calendar length. Not all membership counts towards the Rule of 85.

Working out how you are affected by the Rule of 85 can be complex. The information in the next section should help you to understand the general position.

**How are my benefits affected by the Rule of 85?**

**If you joined the LGPS after 30 September 2006** you are not protected by the Rule of 85.

**If you are over age 65,** you will not benefit from the Rule of 85. Any Rule of 85 protection only applies if you take your pension before age 65.

**If you will never satisfy the Rule of 85,** then all your benefits will be reduced if you choose to take them before age 65. The reduction will be based on how many years and days before your Normal Pension Age you take your pension. Your Normal Pension Age is age 65 for benefits you built up before 1 April 2014 and State Pension Age for your pension built up after 31 March 2014.

**If you satisfy the Rule of 85 when you take your pension before age 65,** the benefits you built up before 1 April 2008 will not be reduced. You will have a greater level of protection if you:

* reached age 60 between 1 April 2016 and 31 March 2020
* satisfied the Rule of 85 before 1 April 2020, and
* are between age 60 and 65 when you take your pension.

If this applies to you, the benefits you built up between 1 April 2008 and 31 March 2020 will be reduced, but the reduction is lower than it would have been if you were not protected.

The Rule of 85 does not apply in full if you take your pension between age 55 and 60.

**Is the Rule of 85 affected if I combine my benefits?**If some or all of your deferred benefits are protected by the Rule of 85, then combining your benefits could have an impact on that protection.

**Option 1 - Combined benefits:** Your Rule of 85 protection will transfer to your active pension account. The date you meet the Rule of 85 may move closer to age 65. This is because any break in service between your previous LGPS membership and your current membership will not count towards the Rule of 85. The bigger the gap between the dates you left and re-joined the LGPS, the bigger the impact will be.

**Option 2 - Separate benefits:** Any Rule of 85 protection continues to apply to your deferred benefits. It does not affect your active pension account.

**3. What key differences are there if I choose separate benefits?**

**Redundancy, business efficiency and ill health retirement**

If you are made redundant or lose your job for business efficiency reasons when you are over 55, or if you retire due to ill health at any age, your pension will be paid immediately. Your pension will not be reduced, even if you are under your Normal Pension Age.

The Government has announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering redundancy and efficiency retirement will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** Benefits paid early would include the value of your deferred benefits that have been combined with your active pension account.

**Option 2 - Separate benefits:** Benefits paid early **would not** include the value of your deferred benefits because you had chosen to keep them separate.

Generally, the separate deferred benefits would be paid from your Normal Pension Age.

Your separate deferred benefits may be paid on ill health grounds. That will happen if your former employer decides that:

* you are permanently incapable of the job you were working in when you became deferred, and
* you are not likely to be capable of gainful employment for the next three years or before your Normal Pension Age if this is sooner.

Gainful employment is paid employment of 30 hours a week for at least a year. Your former employer must get the opinion of an independent doctor before making its decision.

**Early payment of benefits**

You can choose to take your pension at any time from age 55. It will normally be reduced if you take it early.

The Government has announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering early payment will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** The combined benefits would be paid if you choose to take your pension early. They cannot be paid at different times. You cannot take the combined benefits until you have left your current job.

**Option 2 - Separate benefits:** You do not have to take the deferred benefits at the same time as you take the benefits in your active pension account. You can take your deferred benefits even if you are still in your current job.

**Pay used to calculate final salary benefits**

**Option 1 - Combined benefits:** the final salary benefits built up before 1 April 2014 continue to be final salary benefits. Their value will be based on the pay in your new job when your LGPS membership ends.

**Option 2 - Separate benefits:** the deferred final salary benefits built up before 1 April 2014 were based on your pay in the job you were in when you became deferred. This will not change.

The letter that we sent with these notes gives more information about how your decision will affect the value of your final salary benefits.

**Career average pension and cost of living increases**

**Option 1 - Combined benefits:** In most cases, the value of your career average benefits built up from 1 April 2014 will be added to your current pension account and will not change. For a small number of members, the value of your deferred career average benefits may fall slightly. This could happen if:

* the gap between the date your earlier membership ended and your new membership started is five years or less, and
* the cost of living adjustment that applied in any of the years in that period was negative.

The combined benefits will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is negative, **revaluation will be negative**.

**Option 2 - Separate benefits:** The career average benefits in the active pension account will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is negative, **revaluation will be negative**.

The deferred benefits will be revalued each year in line with the Consumer Prices Index. However, if inflation is ever negative, your deferred LGPS pension would not reduce. It would stay at the same level.

**4. Is there anything else to consider?**

**Death in service lump sum**

As a member of the LGPS, if you die in service a lump sum death grant is paid. The lump sum is normally three times your yearly pensionable pay.

If you have a deferred LGPS pension and you die before it is paid, a death grant of five times the deferred pension is paid.

However, only one death grant is paid.

**Option 1 – Combined benefits:** If you die as an active member, a death grant of three times your yearly pay would be paid

**Option 2 – Separate benefits:** If you die as an active member, the greater of the death grant for your active pension account or your deferred benefits would be paid.

**Tax limits – the Annual allowance**

The Annual allowance limits the amount of pension savings you can make in a year. If you exceed the limit, you may have to pay extra tax. Choosing to combine your deferred benefits with your active pension account could have an impact on the Annual allowance.

The Annual allowance for most members is £60,000. You can carry forward unused Annual allowance from the last three years. This means that you may not have to pay an Annual allowance tax charge, even if your pension savings are more than £60,000 in a year.

Your pension savings may be measured against a lower limit in certain circumstances. A lower limit may apply if your taxable income is more than £200,000 or you have previously taken money from a defined contribution pension scheme.

Most people will not be affected by the Annual allowance because:

* their pension savings are less than £60,000 in a year, or
* if their pension savings are more than £60,000, they have unused allowance from previous years that can be carried forward.

**Option 1 – Combined benefits:** Your pension savings will increase in value if your benefits are combined and your current pay is higher than the pay used to work out your deferred final salary benefits. The higher the pay rise and the more membership you have in the final salary scheme before 1 April 2014, the bigger the increase in your pension, making it more likely that you will exceed the Annual allowance.

If you believe that you might be affected, you may want to get independent financial advice.

**Option 2 – Separate benefits:** no effect on your Annual allowance. Some members may still exceed the Annual allowance, particularly higher earners and those paying extra pension contributions.

You can find out more about the annual allowance at:   
[www.gov.uk/tax-on-your-private-pension/annual-allowance](http://www.gov.uk/tax-on-your-private-pension/annual-allowance).

**Paying extra contributions**

LGPS members can pay extra to increase their pension benefits. You may have paid extra using one of the arrangements described below. If you have, you need to understand what happens to any payments you have already made and whether you can carry on paying extra contributions.

1. **Paying additional contributions to buy extra pension**

Additional Regular Contributions (ARCs): These are contracts to buy extra pension taken out between 1 April 2008 and 31 March 2014.

Additional Pension Contributions (APCs): These are contracts to buy extra pension taken out on or after 1 April 2014.

‘Extra pension’ includes extra and lost pension you or your employer have paid for.

Any ARC or APC arrangement to buy extra pension stops when you leave the job it is linked to. You can start a new APC arrangement in your new job. Contact us for more information.

**Option 1 – Combined benefits:**

* any extra pension you have bought by paying APCs will be added to your active pension account
* any extra pension you have bought by paying ARCs will be added to the value of your final salary pension.

**Option 2 – Separate benefits:** any extra pension you have bought will be paid when you take your deferred benefits.

1. **Additional voluntary contributions (AVCs):**

**Option 1 – Combined benefits:** If you have paid AVCs, theywill be transferred to an AVC arrangement offered by your new pension fund.

If your contract to pay AVCs began before 1 April 2014, you can choose not to transfer your AVCs.

If you do transfer your AVCs, then it will be considered a new contract. This may change your options when you take your AVC. Contact your pension fund for more information.

**Option 2 – Separate benefits:** Any AVCs will remain linked to your deferred benefits. You can start a new AVC linked to your active pension account if you want to.

1. **Buying added years** (extra membership)

These are existing contracts to buy extra membership. The contract must have started before 1 April 2008.

**Option 1 – Combined benefits:** The added years you have bought increase your final salary scheme benefits.Your existing contract to buy added years can only continue if:

* the break between leaving and re-joining the LGPS is less than 12 months, and
* you make an election to continue paying extra to buy added years. You must make your election within three months of re-joining the LGPS
* in those three months you pay the extra contributions that you would have paid during the break in membership.

**Option 2 – Separate benefits:** The extra pension from the added years you have bought will be paid when you take your deferred benefits. You cannot continue the added years contract.

**Transferring your deferred benefits to another pension scheme**You can transfer your LGPS benefits to another pension scheme, but there are strict rules about pension transfers:

* you cannot transfer if you are within a year of your Normal Pension Age
* you cannot transfer when you are paying into the LGPS
* you must transfer all your LGPS benefits at the same time, even if they are held in different pension funds.

If you choose separate benefits, you cannot transfer your deferred benefits to another pension scheme until your current LGPS membership ends.

**Further information**If you have any questions about your options, please get in touch.

Write to: [pension administrator’s address]

Phone: [pension administrator’s phone number]

Email: [pension administrator’s email address]

*This is a brief leaflet about joining LGPS benefits. It cannot cover every circumstance. If there is any dispute over your pension benefits, the appropriate legislation will apply. This leaflet does not give you any contractual or legal rights and is for information purposes only.*

### B2 concurrent: Pre and post 31 March 2014 benefits, no disqualifying gap

#### Scenario B2 (concurrent): summary

* The member has deferred benefits built up before and after 31 March 2014
* The membership is concurrent – by definition the member does not have a disqualifying gap. A disqualifying gap is a period of more than five years in which they did not contribute to the LGPS nor any other public service pension scheme.
* The member can elect for separate benefits. Aggregation is automatic if they do not elect for separate benefits.
* Career average benefits that are aggregated are adjusted so that in-house revaluation applies instead of Pensions Increase
* Final salary benefits remain final salary benefits after transfer. The amount of final salary membership aggregated is adjusted based on the ratio of pay in the ongoing and terminated memberships.
* Any post 2014 AVC must be transferred if the main Scheme benefits are aggregated. A protected post 2014 AVC plan will be transferred if the main scheme benefits are aggregated, unless the member elects not to transfer it.

#### Scenario B2 (concurrent): template letter and option form

**Deferred benefits in the [previous fund] Pension Fund**

You have been a member of the LGPS in more than one job and one of those memberships has ended. You have deferred benefits in the Scheme for the membership that has ended. You can now decide what happens to those deferred benefits. This letter explains your options.

**Decision needed by [deadline date]**

Your deferred LGPS benefits are separate from your active pension account. If you want to keep your deferred benefits separate, you must tell us by [deadline date].

If you choose to combine your benefits or if you do not make a decision by [deadline date], your deferred benefits will be combined with your active pension account.

It is important that you make the right decision. The leaflet *What to consider if you have deferred LGPS benefits (2C)* should help you to understand your options.

**Option 1 – Combined benefits**

If you choose combined benefits, any benefits you built up in the career average scheme from 1 April 2014 will be added to your active pension account.

Any final salary benefits built up before 1 April 2014 are worked out using your final pay. Final pay is normally the pensionable pay you earn in your final year of LGPS membership. If you worked part time, the full time pay for your job will be used.

You were a member of the LGPS in two posts at the same time. If your benefits are combined, your final salary service will be adjusted to account for the different salaries in the two posts. This adjustment will mean that the additional benefits that are combined with your active pension account are worth roughly the same as your deferred benefits on the date your membership ended.

If your benefits are combined, the final salary benefits paid when you take your pension will be based on:

* your final pay in your current job, and
* your service before 1 April 2014, after the adjustment mentioned above.

**IMPORTANT:** When you decide whether to combine your periods of LGPS membership, you need to think about whether your pay in your current job is likely to increase faster than inflation.

The figures below give you more information about the service adjustment described above:

**Date previous membership ended: \*\*/\*\*/\*\*\*\***

**Final pay figure on leaving previous membership £\*\*\*\*\*.\*\***

**Final pay in ongoing post on [Date concurrent post ended] £\*\*\*\*.\*\***

**Service in the final salary scheme in previous membership xx years xx days**

**Service to be transferred after pay adjustment xx years xx days**

If you work or have worked part time, the full-time value of your pay is shown above. This is because full-time pay is used to work out your final salary benefits. The service shown above has been reduced for any period that you worked part time.

If your deferred benefits are combined with your active pension account, they would be worth:

**Yearly pension**: **£x,xxx.xx**

**Tax-free lump sum: £xx,xxxx**

Before you decide, you should compare these figures with the current value of your deferred benefits – see below.

**Option 2 – Separate benefits**

You may elect to keep your deferred benefits separate. If you do, they will continue to increase in line with the cost of living.

The current value of your deferred benefits is:

**Yearly pension: £x,xxx.xx**

**Tax-free lump sum: £xx,xxx.xx**

**What you need to do now**

Once you have decided, please fill in the enclosed option form. If we do not receive your form by [deadline date], your benefits will be combined. Once you have made your decision, you cannot change it.

**If you wish to keep separate benefits, you must complete and return the option form by [deadline date].**

Please get in touch if you need any more information.

Yours sincerely

Enclosed: Combining LGPS benefits – Option form  
Leaflet *What to consider if you have deferred LGPS benefits (2C)*

**Local Government Pension Scheme (LGPS)  
Combining LGPS benefits – Option form**

**Your name: [Member name] NI number: [NINO]**

Use this form to let us know if you want your deferred benefits from [previous fund] to be added to your active pension account. Please choose Option 1 or Option 2.

If you do not let us know your decision by [deadline date], then your deferred benefits will be added to your active pension account.

**Option 1: Combined benefits**

**I choose to combine my deferred benefits from [previous fund] with my active pension account.**

**I understand that this decision is final and I cannot change my mind later.**

**Signed: Date:**

[***Post 2014 AVC wording:*** If you have paid additional voluntary contributions (AVCs), they must be transferred to the AVC arrangement offered by [current fund].

Do you have an AVC fund linked to your deferred benefits? YES NO  
(please delete one)]

[***Protected post 2014 AVC wording:*** If you have paid additional voluntary contributions (AVCs), they will be transferred to the AVC arrangement offered by [current fund], unless you choose to keep them separate.

Do you have an AVC fund linked to your deferred benefits? YES NO  
(please delete one)

Do you want to transfer the AVC to the [current fund] AVC? YES NO  
(Please delete one)]

Please see the enclosed ‘What to consider if you have deferred LGPS benefits’ leaflet for more information about your AVC.

**Option 2: Separate benefits**

**I choose to keep my deferred benefits from [previous fund] separate from my active pension account.**

I understand that my decision is final and I will not be able to combine my benefits at a later date while I am in my current job.

**Signed: Date:**

**REMEMBER:** If you do not return this form by [deadline date], your deferred benefits will be combined with your active pension account.

Please return the completed form to us:

By post: [pension administrator’s address]

Email a scanned copy to: [pension administrator’s email address]

#### Scenario B2 (concurrent): Member notes

**Local Government Pension Scheme (LGPS)  
What to consider if you have deferred LGPS benefits (2C)**

This leaflet looks at your options if you are an active member of the LGPS and you have deferred benefits in the Scheme.

You can choose to:

* join your deferred benefits with your active pension account so that you have one set of benefits, or
* keep separate benefits.

**If you do not make a decision to keep separate benefits within the time limit set out in the letter that we sent with these notes, your deferred benefits will be combined with your active pension account.**

There are many things to think about before you decide. In this leaflet we look at the most important ones. You may want to get independent financial advice. You can find out how to choose a financial adviser on the Financial Conduct Authority (FCA) website: [www.fca.org.uk/consumers/what-ask-adviser](http://www.fca.org.uk/consumers/what-ask-adviser).

The main things you need to think about are:

1. How are my deferred LGPS benefits worked out?
2. When will my benefits be paid?
3. What are the key differences if I choose separate benefits?
4. Is there anything else to consider?

**1. How are my deferred LGPS benefits worked out?**

How your LGPS benefits are worked out depends on when they were built up. You built up final salary benefits before 1 April 2014. Since then, you have built up career average benefits.

**Working out your LGPS pension from 1 April 2014** – each year you build up pension based on your pensionable pay. The Scheme year runs from 1 April to 31 March. The pension you build up is:

* 1/49th of your pensionable pay if you are in the main section of the Scheme
* 1/98th of your pensionable pay if you are in the 50/50 section of the Scheme.

The pension you build up each year is added to your pension account. It is revalued every 6 April so your pension keeps up with the cost of living.

**Pensionable pay from 1 April 2014:** pensionable pay is the salary that you pay LGPS contributions on. If you are away from work and your pay reduces or stops because of sickness or injury, relevant child related leave or reserved forces leave, your pension is worked out using assumed pensionable pay instead. Assumed pensionable pay is an estimate of the pay you would have had if you were not away from work.

**Working out your final salary benefits**For membership from 1 April 2008 to 31 March 2014, you get a pension of 1/60th of your final pay.

For membership up to 31 March 2008, you get a pension of 1/80th of your final pay, plus a tax-free lump sum of three times that pension.

**Final pay for final salary benefits**Final pay is usually your pensionable pay in your final year of membership. The pay from one of the two previous years can be used if it is higher. If you work part time, final pay is the full time pay for your job. Final pay does not include non-contractual overtime.

**Option 1 - Combined benefits:** your deferred benefits will be combined with your active pension account:

* The membership you built up before 1 April 2014 will still be final salary membership. The service will be adjusted based on your pay. See the letter that we sent with these notes for more information about this adjustment. The adjusted service will be linked to your active pension account. Your final pay from your current job will be used to work out your final salary benefits when your current period of membership ends.
* The pension you have built up in the career average scheme from 1 April 2014 will be added to your active pension account.

**Option 2 – Separate benefits:** There will be no change to your deferred benefits. You will continue to build up career average benefits in your active pension account.

**2. When will my benefits be paid?**

You can take your LGPS pension with no reduction for early payment from your Normal Pension Age. Your Normal Pension Age for the benefits you have built up from 1 April 2014 is your State Pension age with a minimum of age 65.

**Option 1 – Combined benefits:** the Normal Pension Age of your career average benefits built up from 1 April 2014 will not change.

Your Normal Pension Age for the benefits you built up in the final salary scheme before 1 April 2014 is protected at age 65. If your deferred benefits are combined with your active pension account, then any final salary benefits will still be final salary benefits with a Normal Pension Age of 65.

If you choose to take your LGPS pension before your Normal Pension Age, it will be reduced because it is being paid earlier. If you take it later than your Normal Pension Age it will be increased because it is being paid later. The amount of any reduction or increase is based on how many years and days before or after your Normal Pension Age you take your pension.

If you have Rule of 85 protections, these may still apply. See the next section for more information.

**What is the Rule of 85?**The Rule of 85 may mean that some of your benefits could be paid before age 65 without being reduced for early payment. The Rule of 85 is satisfied when you take your benefits if:

* your age in full years plus
* your length of LGPS membership in full years

add up to 85 or more.

If you have worked part-time, your membership counts towards the Rule of 85 at its full calendar length. Not all membership counts towards the Rule of 85.

Working out how you are affected by the Rule of 85 can be complex. The information in the next section should help you to understand the general position.

**How are my benefits affected by the Rule of 85?**

**If you joined the LGPS after 30 September 2006** you are not protected by the Rule of 85.

**If you are over age 65,** you will not benefit from the Rule of 85. Any Rule of 85 protection only applies if you take your pension before age 65.

**If you will never satisfy the Rule of 85,** then all your benefits will be reduced if you choose to take them before age 65. The reduction will be based on how many years and days before your Normal Pension Age you take your pension. Your Normal Pension Age is age 65 for benefits you built up before 1 April 2014 and State Pension Age for your pension built up after 31 March 2014.

**If you satisfy the Rule of 85 when you take your pension before age 65,** the benefits you built up before 1 April 2008 will not be reduced. You will have a greater level of protection if you:

* reached age 60 between 1 April 2016 and 31 March 2020
* satisfied the Rule of 85 before 1 April 2020, and
* are between age 60 and 65 when you take your pension.

If this applies to you, the benefits you built up between 1 April 2008 and 31 March 2020 will be reduced, but the reduction is lower than it would have been if you were not protected.

The Rule of 85 does not apply in full if you choose to take your pension between age 55 and 60.

**Is the Rule of 85 affected if I combine my benefits?**

**Option 1 - Combined benefits:** if your active pension account or your deferred benefits are protected by the Rule of 85, this protection will apply to your combined benefits.

**Option 2 - Separate benefits:** There will be no change to your current protection. Depending on your membership dates, your active pension account, your deferred benefits or both could have Rule of 85 protection.

**3. What key differences are there if I choose separate benefits?**

**Redundancy, business efficiency and ill health retirement**

If you are made redundant or lose your job for business efficiency reasons when you are over 55, or if you retire due to ill health at any age, your pension will be paid immediately. Your pension will not be reduced, even if you are under your Normal Pension Age.

The Government has announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering redundancy and efficiency retirement will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** Benefits paid early would include the deferred benefits that have been combined with your active pension account.

**Option 2 - Separate benefits:** Benefits paid early **would not** include your deferred benefits because you had chosen to keep them separate.

Generally, the separate deferred benefits would be paid from your Normal Pension Age.

Your separate deferred benefits may be paid on ill health grounds. That will happen if your former employer decides that:

* you are permanently incapable of the job you were working in when you became deferred, and
* you are not likely to be capable of gainful employment for the next three years or before your Normal Pension Age if this is sooner.

Gainful employment is paid employment of 30 hours a week for at least a year. Your former employer must get the opinion of an independent doctor before making its decision.

**Early payment of benefits**

You can take your pension at any time from age 55. It will normally be reduced if you take it early.

The Government has announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering early payment will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** The combined benefits would be paid if you take your pension early. They cannot be paid at different times. You cannot take the combined benefits until you have left your current job.

**Option 2 - Separate benefits:** You do not have to take the deferred benefits at the same time that you take the benefits in your active pension account. You can take your deferred benefits even if you are still in your current job.

**Pay used to calculate final salary benefits**

**Option 1 - Combined benefits:** the final salary benefits built up before 1 April 2014 are still final salary benefits. However, the amount of service is adjusted to reflect any difference in the rates of pay in your two jobs. Your final salary pension will be worked out using the pay in your current job when your LGPS membership ends.

**Option 2 - Separate benefits:** the deferred final salary benefits built up before 1 April 2014 were based on your pay in the job you were in when you became deferred. This will not change.

The letter that we sent with these notes gives more information about how your decision will affect the value of your final salary benefits.

**Career average pension and cost of living increases**

**Option 1 - Combined benefits:** The value of your career average benefits built up from 1 April 2014 will be added to your active pension account and will not change.

The combined benefits will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is negative, **revaluation will be negative**.

**Option 2 - Separate benefits:** The career average benefits in the active pension account will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is negative, **revaluation will be negative**.

The deferred benefits will be revalued each year in line with the Consumer Prices Index. However, if inflation is ever negative, your deferred LGPS pension would not reduce. It would stay at the same level.

**4. Is there anything else to consider?**

**Death in service lump sum**

As a member of the LGPS, if you die in service a lump sum death grant is paid. The lump sum is normally three times your yearly pensionable pay.

If you have a deferred LGPS pension and you die before it is paid, a death grant of five times the deferred pension is paid.

However, only one death grant is paid.

**Option 1 – Combined benefits:** If you die as an active member, a death grant of three times your yearly pay would be paid

**Option 2 – Separate benefits:** If you die as an active member, the greater of the death grant for your active pension account or your deferred benefits would be paid.

**Tax limits – the Annual allowance**

The Annual allowance limits the amount you can save towards your pension in a year. You may have to pay extra tax if you save more than the limit.

**Option 1 – Combined benefits:** could have a very small impact on the Annual allowance.

**Option 1 – Separate benefits:** no effect on your Annual allowance.

Most members will not be affected by the Annual Allowance. However, some members may exceed the Annual allowance, particularly higher earners and those paying extra pension contributions.

You can find out more about the Annual allowance from the Government’s website: [www.gov.uk/tax-on-your-pension](http://www.gov.uk/tax-on-your-pension).

**Paying extra contributions**

LGPS members can pay extra to increase their pension benefits. You may have paid extra using one of the arrangements described below. If you have, you need to understand what happens to any payments you have already made and whether you can carry on paying extra contributions.

1. **Paying additional contributions to buy extra pension**

Additional Regular Contributions (ARCs): These are contracts to buy extra pension taken out between 1 April 2008 and 31 March 2014.

Additional Pension Contributions (APCs): These are contracts to buy extra pension taken out on or after 1 April 2014.

‘Extra pension’ includes extra and lost pension you or your employer has paid for.

Any ARC or APC arrangement to buy extra pension stops when you leave the job it is linked to. You can start a new APC arrangement in your current job. Contact us for more information.

**Option 1 – Combined benefits:**

* any APCs linked to your deferred benefits will be added to your active pension account
* any extra pension you have bought by paying ARCs linked to your deferred benefits will be added to the value of your final salary pension.

**Option 2 – Separate benefits:** If you choose separate benefits, any extra pension you have bought that is linked to your deferred benefits will be paid when you take your deferred benefits.

1. **Additional voluntary contributions (AVCs):**

**Option 1 – Combined benefits:** If you have AVCs that are linked to your deferred benefits, theywill be transferred to an AVC arrangement offered by your new pension fund.

If your contract to pay AVCs began before 1 April 2014, you can choose not to transfer your AVCs.

If you do transfer your AVCs, then it will be considered a new contract. This may change the options open to you when you take your AVC. Contact your pension fund for more information.

**Option 2 – Separate benefits:** Any AVCs linked to your deferred benefits will be paid when you take those benefits. You can start a new AVC linked to your active pension account if you want to.

1. **Buying added years** (extra membership)

These are existing contracts to buy extra membership. The contract must have started before 1 April 2008.

**Option 1 – Combined benefits:** If you had a contract to buy added years that was linked to your deferred benefits, you can continue that contract if you make an election to continue paying extra to buy added years. You must make your election within three months of the date you became entitled to deferred benefits.

These added years count towards your benefits in the final salary scheme.

**Option 2 – Separate benefits:** If you had a contract to buy added years that was linked to your deferred benefits, you cannot continue that contract if you elect to keep separate benefits.

If your contract to buy added years is linked to your active pension account, the contract will continue whether you combine your benefits or keep them separate.

**Transferring your deferred benefits to another pension scheme**You can transfer your LGPS benefits to another pension scheme, but there are strict rules about pension transfers:

* you cannot transfer if you are within a year of your Normal Pension Age
* you cannot transfer when you are paying into the LGPS
* you must transfer all your LGPS benefits at the same time, even if they are held in different pension funds.

If you choose separate benefits, you cannot transfer your deferred benefits to another pension scheme until your current LGPS membership ends.

**Further information**If you have any questions about your options, please get in touch.

Write to: [pension administrator’s address]

Phone: [pension administrator’s phone number]

Email: [pension administrator’s email address]

*This is a brief leaflet about joining LGPS benefits together. It cannot cover every circumstance. If there is any dispute over your pension benefits, the appropriate legislation will apply. This leaflet does not give you any contractual or legal rights and is for information purposes only.*

### C2: Pre and post 31 March 2014 benefits and disqualifying gap

#### Scenario C2: Summary

* The member has deferred benefits built up before and after 31 March 2014.
* The gap between leaving and re-joining is more than five years.
* The member has a disqualifying gap of more than five years.
* The member can elect for separate benefits. Aggregation is automatic if they do not elect for separate benefits.
* Any AVC must be transferred if the main Scheme benefits are transferred.

#### Scenario C2: Template letter and option form

**Deferred benefits in the [previous fund] Pension Fund**

You have re-joined the LGPS and you have deferred benefits in the Scheme. You can now decide what happens to those deferred benefits. This letter explains your options.

**IMPORTANT:** this letter is based on the information you gave us. Our records show that:

* there was a gap of more than five years between the date your previous LGPS membership ended and the date you re-joined the Scheme, and
* you were not a member of any public sector pension scheme in that time. Public sector pension schemes include schemes for civil servants, teachers, firefighters, the NHS, police and armed forces in the UK.

If this is not right, please get in touch as soon as possible so that we can give you the right information about your options.

**Decision needed by [deadline date]**

Your deferred LGPS benefits are separate from your active pension account. If you want to keep your deferred benefits separate, you must tell us by [deadline date].

If you choose to combine your benefits or if you do not make a decision by [deadline date], your deferred benefits will be combined with your active pension account.

It is important that you make the right decision. The leaflet *What to consider if you have deferred LGPS benefits (3)* should help you to understand your options.

**Option 1 – Combined benefits**

If you choose this option:

* the benefits you built up in the career average scheme from 1 April 2014 will be added to your active pension account. Their value will not change.
* your membership before 1 April 2014 will no longer count as final salary membership. Instead, the value will buy yearly pension in the career average scheme. This will be added to your active pension account.

If your benefits are combined, your active pension account would increase by:

**Yearly pension £x,xxx.xx** paid from your Normal Pension Age

* your Normal Pension Age is linked to your State Pension Age with a minimum of age 65
* after your benefits are combined, they will be adjusted each year in line with the cost of living
* if some of your deferred benefits were built up before 1 April 2008, they include a tax-free lump sum. If you choose Option 1, you will not automatically get a tax-free lump sum
* you can swap yearly pension to provide a tax-free lump sum when you take your pension.

Before you decide, you should compare the yearly pension above with the current value of your deferred benefits - see below.

**Option 2 – Separate benefits**

You may choose to keep your deferred benefits separate. If you do, your deferred benefits will continue to increase in line with the cost of living.

The current values of your deferred benefits are:

**Yearly pension £x,xxx.xx** paid from [‘your Normal Pension Age’ OR ‘age 65’ for a group 2 member who left the Scheme before 1 April 2020]

**Tax-free lump sum: £xx,xxx.xx**

**What you need to do now**

Once you have decided, please fill in the enclosed option form. If we do not receive your completed form by [deadline date], your benefits will be combined. Once you have made your decision, you cannot change it.

**If you want to keep separate benefits, you must fill in and return the option form by [deadline date].**

Please get in touch if you need any more information.

Yours sincerely

Enclosed: Combining LGPS benefits – Option form  
Leaflet *What to consider if you have previous LGPS benefits (3)*

**Local Government Pension Scheme (LGPS)  
Combining LGPS benefits – Option form**

**Your name: [Member name] NI number: [NINO]**

Use this form to let us know if you want your deferred benefits from [previous fund] to be added to your active LGPS pension account. Please choose Option 1 or Option 2.

If you do not let us know your decision by [deadline date], then your deferred benefits will be added to your active pension account.

**Option 1: Combined benefits**

**I choose to combine my deferred benefits from [previous fund] with my active pension account.**

**I understand that membership built up in the final salary scheme before 1 April 2014 will no longer count as final salary membership. The value of those benefits will be used to buy pension in the career average scheme.**

**I understand that this decision is final and I cannot change my mind later.**

**I confirm that I did not become entitled to these deferred benefits because I opted out of the LGPS after 10 April 2015.**

**Signed: Date:**

If you have paid additional voluntary contributions (AVCs), they must be transferred to the AVC arrangement offered by [current fund].

Do you have an AVC fund linked to your deferred benefits? YES NO  
(please delete one)

**Option 2: Separate benefits**

**I choose to keep my deferred benefits from [previous fund] separate from my active pension account.**

I understand that my decision is final and I will not be able to combine my benefits at a later date while I am in my current job.

**Signed: Date:**

**REMEMBER:** If you do not return this form by [deadline date], your deferred benefits will be combined with your active pension account.

Please return the form to us:

By post: [pension administrator’s address]

Email a scanned copy to: [pension administrator’s email address]

#### Scenario C2: Member notes

**Local Government Pension Scheme (LGPS)  
What to consider if you have previous LGPS benefits (3)**

This leaflet looks at your options if you are an active member of the LGPS and you have deferred benefits in the Scheme.

You can choose to:

* join your deferred benefits with your active pension account so that you have one set of benefits, or
* keep separate benefits.

**If you do not make a decision to keep separate benefits within the time limit set out in the letter that we sent with these notes, your deferred benefits will be combined with your active pension account.**

There are many things to think about before you decide. In this leaflet we look at the most important ones. You may want to get independent financial advice. You can find out how to choose a financial adviser on the Financial Conduct Authority (FCA) website: [www.fca.org.uk/consumers/what-ask-adviser](http://www.fca.org.uk/consumers/what-ask-adviser).

The main things you need to think about are:

1. How are my deferred LGPS benefits worked out?
2. When will my benefits be paid?
3. What are the key differences if I choose separate benefits?
4. Is there anything else to consider?

**1. How are my deferred LGPS benefits worked out?**

How your LGPS benefits are worked out depends on when they were built up. You built up final salary benefits before 1 April 2014. Since then, you have built up career average benefits.

**Working out your LGPS pension from 1 April 2014** – each year you build up pension based on your pensionable pay. The Scheme year runs from 1 April to 31 March. The pension you build up is:

* 1/49th of your pensionable pay if you are in the main section of the Scheme
* 1/98th of your pensionable pay if you are in the 50/50 section of the Scheme.

The pension you build up each year is added to your pension account. It is revalued every 6 April so your pension keeps up with the cost of living.

**Pensionable pay from 1 April 2014:** pensionable pay is the salary that you pay LGPS contributions on. If your pay reduces or stops because of sickness or injury, relevant child related leave or reserved forces leave, your pension is worked out using assumed pensionable pay instead. Assumed pensionable pay is an estimate of the pay you would have had if you were not away from work.

**Working out your final salary benefits**For membership from 1 April 2008 to 31 March 2014, you get a pension of 1/60th of your final pay.

For membership up to 31 March 2008, you get a pension of 1/80th of your final pay, plus a tax-free lump sum of three times that pension.

**Final pay for final salary benefits**Final pay is usually your pensionable pay in your final year of membership. The pay from one of the two previous years can be used if it is higher. If you work part time, final pay is the full time pay for your job. Final pay does not include non-contractual overtime.

**Option 1 – Combined benefits:** your deferred benefits will be combined with your active pension account:

* The membership you built up before 1 April 2014 will no longer count as final salary membership. Instead, its value will be used to buy yearly pension in the career average scheme. This will be added to your active pension account.
* The pension you have built up in the career average scheme from 1 April 2014 will be added to your active pension account.

**Option 2 – Separate benefits:** your deferred benefits will stay separate:

* What you built up before 1 April 2014 will still be final salary benefits. They are worked out using the final pay from the job you were in when you built up your deferred benefits.
* You have pension in the career average scheme built up between 1 April 2014 and the date you previously left the LGPS.
* Your deferred benefits will increase each year in line with the cost of living.

**2. When will my benefits be paid?**

**Option 1 – Combined benefits:** the combined benefits will be paid from your Normal Pension Age. Your Normal Pension Age is your State Pension age with a minimum of age 65.

**Option 2** **– Separate benefits:** the date your benefits are paid from will not change. Your Normal Pension Age for benefits built up from 1 April 2014 is your State Pension age with a minimum of age 65. Your Normal Pension Age for benefits built up before 1 April 2014 is age 65.

**Rule of 85**

Some or all of your deferred benefits may be protected by the Rule of 85. If you are protected, some of your benefits could be paid before age 65 without being reduced for early payment. The Rule of 85 is satisfied when you take your benefits before age 65 if:

* your age in full years, plus
* your length of LGPS membership in full years

add up to 85 or more.

If you worked part-time, your membership counts towards the Rule of 85 at its full calendar length. Not all membership counts towards the Rule of 85.

Working out how you are affected by the Rule of 85 can be complex. The information in the next section should help you to understand the general position.

**How are my benefits affected by the Rule of 85?**

**If you joined the LGPS after 30 September 2006,** you are not protected by the Rule of 85.

**If you are over age 65,** you will not benefit from the Rule of 85. Any Rule of 85 protection only applies if you take your pension before age 65.

**If you will never satisfy the Rule of 85,** then all your benefits will be reduced if you take them before age 65. The reduction will be based on how many years and days before your Normal Pension Age you take your benefits.

**If you satisfy the Rule of 85 when you take your pension,** the benefits you built up before 1 April 2008 will not be reduced. You will have a greater level of protection if you:

* reached age 60 between 1 April 2016 and 31 March 2020
* satisfied the Rule of 85 before 1 April 2020, and
* are between age 60 and 65 when you take your pension.

If this applies to you, the benefits you built up between 1 April 2008 and 31 March 2020 will be reduced, but the reduction is lower than it would have been if you were not protected.

The Rule of 85 does not apply in full if you choose to take your pension between age 55 and 60.

**Is the Rule of 85 affected if I combine my benefits?**

**Option 1 – Combined benefits:** you will not be protected by the Rule of 85. However, Rule of 85 protection increases the value of your deferred benefits. The amount of pension that value buys would also be increased because of your Rule of 85 protection.

**Option 2** **– Separate benefits:** any Rule of 85 protection will continue to apply to your deferred benefits. Your active pension account would not be protected by the Rule of 85.

**3. What key differences are there if I choose separate benefits?**

**Redundancy, business efficiency and ill health retirement**

If you are made redundant or lose your job for business efficiency reasons when you are over 55, or if you retire due to ill health at any age, your pension will be paid immediately. Your pension will not be reduced, even if you are under your Normal Pension Age.

The Government announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering redundancy and efficiency retirement will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** Benefits paid early will include the pension bought with the value of your deferred benefits.

**Option 2 - Separate benefits:** Benefits paid early **will not** include the deferred benefits because you had chosen to keep them separate.

Generally, the separate deferred benefits would be paid from your Normal Pension Age.

Your separate deferred benefits may be paid on ill health grounds. That will happen if your former employer decides that:

* you are permanently incapable of the job you were working in when you became deferred, and
* you are not likely to be capable of gainful employment for the next three years or before your Normal Pension Age if this is sooner.

Gainful employment is paid employment of 30 hours a week for at least a year. Your former employer must get the opinion of an independent doctor before making its decision.

**Early payment of benefits**

You can choose to take your pension at any time from age 55. It will normally be reduced if you take it early.

The Government announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering early payment will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** The combined benefits would be paid if you choose to take your pension early. They cannot be paid at different times. You cannot take the combined benefits until you have left your current job.

**Option 2 - Separate benefits:** You do not have to take the deferred benefits at the same time that you take the benefits in your active pension account. You can take your deferred benefits even if you are still in your current job.

**Cost of living increases**

**Option 1 - Combined benefits:** Your deferred career average benefits built up from 1 April 2014 will be added to your current pension account and will not change. The value of your deferred final salary benefits built up before 1 April 2014 will be used to buy pension in the career average scheme.

The combined benefits will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is negative, **revaluation will be negative**.

**Option 2 - Separate benefits:** The benefits in your active pension account will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is negative, **revaluation will be negative**.

The deferred benefits will be revalued each year in line with the Consumer Prices Index. However, if inflation is ever negative, your deferred LGPS pension would not reduce. It would stay at the same level.

**4. Is there anything else to consider?**

**Death in service lump sum**

As a member of the LGPS, if you die in service a lump sum death grant is paid. The lump sum is normally three times your yearly pensionable pay.

If you have a deferred LGPS pension and you die before it is paid, a death grant of five times the deferred pension is paid.

However, only one death grant is paid.

**Option 1 – Combined benefits:** If you die as an active member, a death grant of three times your yearly pay would be paid

**Option 2 – Separate benefits:** If you die as an active member, the greater of the death grant for your active pension account or your deferred benefits would be paid.

**Paying extra contributions**

LGPS members can pay extra to increase their pension benefits. You may have paid extra using one of the arrangements described below. If you have, you need to understand what happens to any payments you have already made and whether you can carry on paying extra contributions.

1. **Paying additional contributions to buy extra pension or added years**

If you were paying Additional Regular Contributions (ARCs), Additional Pension Contributions (APCs) or added years, the extra contributions stopped when your membership ended.

**Option 1 – Combined benefits:**

* Any extra pension you have bought by paying APCs will be added to your active pension account
* Any extra pension from ARCs or added years increased the value of your deferred benefits. This increases the amount of pension that you get in the career average scheme.

**Option 2 – Separate benefits:** the extra pension you have bought will be paid when you take your deferred pension.

You cannot continue paying ARCs, APCs or added years in your new job. You can start a new APC arrangement. Contact us for more information.

1. **Additional voluntary contributions (AVCs):**

**Option 1 – Combined benefits:** If you paid AVCs, they must be transferred to an AVC arrangement offered by your new pension fund.

**Option 2 –** **Separate benefits:** The AVCs will remain linked to your deferred benefits. You can start a new AVC linked to your active pension account if you want to.

**Tax limits – the Annual allowance**

The Annual allowance limits the amount you can save towards your pension in a year. You may have to pay extra tax if you save more than the limit.

**Option 1 – Combined benefits:** could have a very smalleffect on the Annual allowance

**Option 2 – Separate benefits:** no effect on the Annual allowance.

Most members will not be affected by the Annual allowance. However, some members may exceed the Annual allowance, particularly higher earners and those paying extra pension contributions.

You can find out more about the Annual allowance from the Government’s website: [www.gov.uk/tax-on-your-private-pension](http://www.gov.uk/tax-on-your-private-pension).

**Transferring your deferred benefits to another pension scheme**You can transfer your LGPS benefits to another pension scheme, but there are strict rules about pension transfers:

* you cannot transfer if you are within a year of your Normal Pension Age
* you cannot transfer when you are paying into the LGPS
* you must transfer all your LGPS benefits at the same time, even if they are held in different pension funds.

If you choose separate benefits, you cannot transfer your deferred benefits to another pension scheme until your current LGPS membership ends.

**Further information**If you have any questions about your options, please get in touch.

Write to: [pension administrator’s address]

Phone: [pension administrator’s phone number]

Email: [pension administrator’s email address]

*This is a brief leaflet about joining LGPS benefits together. It cannot cover every circumstance. If there is any dispute over your pension benefits, the appropriate legislation will apply. This leaflet does not give you any contractual or legal rights and is for information purposes only.*

### D2: Pre April 2014 benefits and no disqualifying gap

#### Scenario D2: Summary

* The member has deferred benefits built up before 1 April 2014
* The member does not have a disqualifying gap. A disqualifying gap is a period of more than five years in which they did not contribute to the LGPS nor any other public service pension scheme.
* The member can elect to combine their benefits. If they do not, then the benefits remain separate.
* The member may elect to be treated as a member on 31 March and 1 April 2014. If they do, any final salary benefits remain final salary benefits on transfer.
* The member must elect to be treated as a member on 31 March and 1 April 2014 within a year of re-joining. If a late transfer is allowed, then that option is not available. Letter D3 should be used, with appropriate adjustments.
* If the member elects to be treated as a member on 31 March and 1 April 2014, any AVC must be transferred unless the member elects not to. If the member does not elect to be treated as a member on 31 March and 1 April 2014, then the AVC must be aggregated if the main scheme benefits are combined.

Members re-joining now who left the LGPS before 1 April 2014 will generally have a disqualifying gap. However, this letter will still be used for an individual who was a member of another public service pension scheme since leaving the LGPS. Administering authorities should only use this letter if they are certain that the member does not have a disqualifying break.

#### Scenario D2: template letter and option form

**Deferred benefits in the [previous fund] Pension Fund**

You have re-joined the LGPS and you have deferred benefits in the Scheme. You can now decide what happens to those deferred benefits. This letter explains your options.

**Decision needed by [deadline date]**

Your deferred benefits are separate from your active pension account. If you want to combine your benefits, you must let us know whether you choose Option 1 or Option 2 by [deadline date].

If you do not make a decision by ‘[deadline date], your deferred benefits will stay separate.

You have three options to choose from. It is important that you make the right decision. The information in this letter and in the ‘*What to consider if you have deferred LGPS benefits (4)*’ leaflet should help you to understand your options.

**Option 1: combine your deferred benefits with your active pension account and they continue to be final salary benefits.** To take this option, you must choose to be treated as an LGPS member on 31 March 2014 and 1 April 2014.

If you choose Option 1, your final salary benefits will be attached to your new pension account. That membership will stay as final salary membership.

When your current LGPS membership ends, the final salary benefits you built up before 1 April 2014 will be worked out using the final pay from your current job. Final pay is generally your pensionable pay in your final year of LGPS membership. If you work part time, the full time pay for your job will be used.

**IMPORTANT:** You need to think about whether the final pay in your current job is likely to be higher than the final pay used to work out your deferred final salary benefits. To make a proper comparison, cost of living increases are added to the pay used to work out your deferred benefits to bring it up to today’s value.

You can use the information below to compare the pay figures to help you make your decision:

**Date previous membership ended: \*\*/\*\*/\*\*\*\***

**Final pay from previous job £\*\*\*\*\*.\*\***

(includes cost of living increases to date)

**Estimate of pay in current job £\*\*\*\*.\*\***

If you work or have worked part time, the full-time value of your pay is shown above. This is because full-time pay is used to work out your final salary pension benefits.

If you choose Option 1, your active pension account would increase by:

**Yearly pension: £x,xxx.xx**

**Tax-free lump sum: £xx,xxxx**

Before you decide, you should compare these figures with the current value of your deferred benefits – you can find these in the Option 3 section below.

If the pay in your new job is less than the pay in your old job plus inflation, you may think it is in your interest to keep your benefits separate – see Option 3. You need to consider whether the pay in your new job is likely to overtake the pay from your old job plus inflation, taking into account possible future pay awards and promotions.

If the pay in your new job is less than the pay in your old job plus inflation, then there are some limited circumstances in which Option 2 may be a better choice for you than Option 1.

**Option 2: use the value of your deferred benefits to buy pension in the career average scheme.** If you choose Option 2, your previous deferred benefits will be combined with your active pension account. The membership would no longer count as final salary membership. Instead, the value of your deferred benefits would be used to buy yearly pension in the career average scheme. That pension would be added to your active pension account.

If you choose Option 2, your active pension account would increase by:

**Yearly pension: £x,xxx.xx** paid from your Normal Pension Age

* Your Normal Pension Age is linked to your State Pension Age with a minimum of age 65
* After your benefits are combined, they will be adjusted each year in line with the cost of living
* If some or all of your deferred benefits built up before 1 April 2008, they include a tax-free lump sum. If you choose Option 2, you will not automatically get a tax-free lump sum
* You can swap yearly pension to provide a tax-free lump sum when you take your pension.

When you are deciding, you should compare the yearly pension above with the current value of your deferred benefits – see Option 3.

**Option 3 – separate benefits**

You may elect to keep your deferred benefits separate. If you do not make a choice by [deadline date], then your deferred benefits will remain separate from your active pension account. If your deferred benefits remain separate, they will continue to increase in line with the cost of living.

The current value of your deferred benefits is:

**Yearly pension £x,xxx.xx** paid from [‘age 65’ OR an earlier date if the Rule of 85 means benefits payable unreduced from an earlier date]

**Tax-free lump sum: £xx,xxx.xx**

**What you need to do now**

Once you have made your decision, please fill in the enclosed option form. If we do not receive your completed form by [deadline date], your deferred benefits will remain separate.

**Additional Voluntary Contributions (AVCs)**

If you have an AVC fund linked to your deferred benefits, what happens to the AVC depends on which option you choose. Please see the last section of the ‘*What to consider if you have previous LGPS benefits (4)*’ leaflet for more information.

Please get in touch if you need any more information.

Yours sincerely

Enclosed: Combining LGPS benefits – Option form  
Leaflet *What to consider if you have previous LGPS benefits (4)*

**Local Government Pension Scheme (LGPS)  
Combining LGPS benefits – Option form**

**Your name: [Member name] NI number: [NINO]**

Use this form to let us know if you want your deferred benefits from [previous fund] to be added to your active LGPS pension account. Please choose Option 1, Option 2 or Option 3.

If you do not let us know your decision by [deadline date], then your deferred benefits will remain separate.

**Option 1: Benefits combined and deferred benefits stay as final salary benefits**

**I choose to transfer my deferred benefits from [previous fund] to my active pension account AND I choose to be treated as if I was a member of the LGPS on 31 March 2014 and 1 April 2014**

I understand that my membership built up before 1 April 2014 will continue to count as final salary membership

**I understand that this decision is final and I cannot change my mind later.**

**Signed: Date:**

If you have paid additional voluntary contributions (AVCs), they will be transferred to the AVC arrangement offered by [current fund], unless you choose to keep them separate.

Do you have an AVC fund linked to your deferred benefits? YES NO  
(please delete one)

Do you want to transfer the AVC to the [current fund] AVC? YES NO  
(Please delete one)

**Option 2: Benefits combined and value of deferred benefits used to buy pension in the career average scheme**

**I choose to combine my deferred LGPS benefits from [previous fund] with my active pension account**

**I understand that I will no longer have final salary benefits. The value of those benefits will be used to buy pension in the career average scheme.**

**I understand that this decision is final and I cannot change my mind later.**

**Signed: Date:**

If you have paid additional voluntary contributions (AVCs), they must be transferred to the AVC arrangement offered by [current fund].

Do you have an AVC fund linked to your deferred benefits? YES NO  
(please delete one)

**Option 3: Separate benefits**

**I choose to keep my deferred benefits from [previous fund] separate from my active pension account.**

I understand that my decision is final and I will not be able to combine my benefits at a later date while I am in my current job.

**Signed: Date:**

**REMEMBER:** If you do not return this form by [deadline date], your deferred benefits will remain separate from your active pension account.

Please return the completed form to us:

By post: [pension administrator’s address]

Email a scanned copy to: [pension administrator’s email address]

#### Scenario D2: member notes

**Local Government Pension Scheme (LGPS)  
What to consider if you have previous LGPS benefits (4)**

This leaflet looks at your options if you are an active member of the LGPS and you have deferred benefits in the Scheme.

You can choose to:

* join your deferred benefits with your active pension account so that you have one set of benefits, or
* keep separate benefits.

**If you do not make a decision to combine your benefits within the time limit set out in the letter that we sent with these notes, your deferred benefits will remain separate from your active pension account.**

There are many things to think about before you decide. In this leaflet we look at the most important ones. You may want to get independent financial advice. You can find out how to choose a financial adviser on the Financial Conduct Authority (FCA) website: [www.fca.org.uk/consumers/what-ask-adviser](http://www.fca.org.uk/consumers/what-ask-adviser).

The main things you need to think about when making your decision are:

1. How are my deferred LGPS benefits worked out?
2. When will my benefits be paid?
3. What are the key differences if I choose separate benefits?
4. Is there anything else to consider?

**1. How are my deferred LGPS benefits worked out?**

How your final salary LGPS benefits are worked out depends on when they were built up.

For membership from 1 April 2008 to 31 March 2014, you get a pension of 1/60th of your final pay.

For membership up to 31 March 2008, you get a pension of 1/80th of your final pay, plus a tax-free lump sum of three times that pension.

**Final pay for final salary benefits**Final pay is usually your pensionable pay in your final year of membership. The pay from one of the two previous years can be used if it is higher. If you work part time, final pay is the full time pay for your job. Final pay does not include non-contractual overtime.

**If you choose Option 1:** your deferred benefits will be combined with your active pension account. Your final salary membership built up before 1 April 2014 will continue to count as final salary membership. Your final pay from your current job will be used to work out your final salary benefits when your current membership ends.

**If you choose Option 2:** your deferred benefits will be combined with your active pension account. The membership you built up before 1 April 2014 will no longer count as final salary membership. Instead, the value of your deferred final salary benefits will be used to buy pension in the career average scheme. This pension will be added to your active pension account.

**If you choose Option 3:** your deferred benefits will stay separate. There will be no change:

* Your deferred benefits will remain final salary benefits. They are based on the final pay in the job you were in when you became entitled to the deferred benefits.
* Your deferred benefits will increase each year in line with the cost of living.

**2. When will my benefits be paid?**

You can take your LGPS pension with no reduction for early payment from your Normal Pension Age. Your Normal Pension Age for the benefits you have built up after 1 April 2014 is your State Pension age with a minimum of age 65.

If you choose to take your LGPS pension before your Normal Pension Age, it will be reduced because it is being paid earlier. If you take it later than your Normal Pension Age it will be increased because it is being paid later. The amount of any reduction or increase is based on how many years and days before or after your Normal Pension Age you take your pension.

**If you choose Option 1:** the combined benefits will be payable from your Normal Pension Age. Your Normal Pension Age for the benefits you built up in the final salary scheme before 1 April 2014 will be protected at age 65.

If you have rule of 85 protections, these may still apply. See the next section for more information.

**If you choose Option 2:** the combined benefits will be payable from your Normal Pension Age. Your Normal Pension Age is your State Pension age with a minimum of age 65.

**If you choose Option 3 – Separate benefits:** the date your deferred benefits are payable from will not change. See the next section for information about how you might be protected by the Rule of 85.

**Rule of 85**

Some or all of your deferred benefits may be protected by the Rule of 85. If they are, they can be paid before age 65 without a reduction for early payment. The Rule of 85 is satisfied when you take your benefits if:

* your age in full years, plus
* your length of LGPS membership in full years

add up to 85 or more.

If you work part-time, your membership counts towards the Rule of 85 at its full calendar length. Not all membership counts towards the Rule of 85.

Working out how you are affected by the Rule of 85 can be complex. The information in the next section should help you to understand the general position.

**How are my benefits affected by the Rule of 85?**

**If you are over age 65,** you will not benefit from the Rule of 85. Rule of 85 protection only applies if you take your pension before age 65.

**If you will never satisfy the Rule of 85,** then all your benefits will be reduced if you take them before age 65. The reduction will be based on how many years and days before your Normal Pension Age you take your pension.

**If you satisfy the Rule of 85 when you take your pension,** the benefits you built up before 1 April 2008 will not be reduced. You will have a greater level of protection if you:

* reached age 60 between 1 April 2016 and 31 March 2020
* satisfied the Rule of 85 before 1 April 2020, and
* are between age 60 and 65 when you take your pension.

If this applies to you, the benefits you built up between 1 April 2008 and 31 March 2020 will be reduced, but the reduction is lower than it would have been if you were not protected.

The Rule of 85 does not apply in full if you choose to take your pension between age 55 and 60.

**Is the Rule of 85 affected if I combine my benefits?**

**If you choose Option 1,** any Rule of 85 protection will transfer to your active pension account. However, choosing Option 1 could make the date you satisfy the rule of 85 later. The bigger the gap between the dates you left and re-joined the LGPS, the bigger the impact would be.

**If you choose Option 2,** you would not be protected by the Rule of 85. However, Rule of 85 protection increases the value of your deferred benefits. The amount of pension that value would buy is higher because of your Rule of 85 protection.

**If you choose Option 3 – Separate benefits**, any Rule of 85 protection would continue to apply to your deferred benefits. Your active pension account would not be protected by the Rule of 85.

**3. What key differences are there if I choose separate benefits?**

**Redundancy, Business efficiency and ill health retirement**

If you are made redundant or lose your job for business efficiency reasons when you are over 55, or if you retire due to ill health at any age, your pension will be paid immediately. Your pension would not be reduced, even if you are under your Normal Pension Age when you retire.

The Government announced that the earliest age you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering redundancy and efficiency retirement will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 and Option 2 - Combined benefits:** Benefits paid early would include the deferred benefits that have been combined with your active pension account.

**Option 3 - Separate benefits:** Benefits paid early **would not** include the deferred benefits because you had chosen to keep them separate.

Generally, the separate deferred benefits would be paid from your Normal Pension Age.

Your separate deferred benefits may be paid on ill health grounds. For most members, that will happen if your former employer decides that:

* you are permanently incapable of the job you were working in when you became deferred, and
* you have a reduced likelihood of being able to undertake gainful employment for the next three years or before your Normal Pension Age if this is sooner.

Gainful employment is paid employment of 30 hours a week for at least a year. Your former employer must get the opinion of an independent doctor before making its decision.

If you left the LGPS before 1 April 2008, your deferred benefits could be paid on ill health grounds if your former employer decides that you are permanently incapable of doing the job you were in when you became deferred.

**Early payment of benefits**

You can choose to take your pension at any time from age 55. It will normally be reduced because you are taking it early.

The Government announced that the earliest age you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering early payment will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 and Option 2 - Combined benefits:** The combined benefits would be paid if you choose to take your pension early. They cannot be paid at different times. You cannot take the combined benefits until you have left your current job.

**Option 3 - Separate benefits:** You do not have to take the deferred benefits at the same time as you take the benefits in your active pension account. You can generally take your deferred benefits even if you are still in your current job. Different rules may apply if your deferred benefits relate to a period of membership that ended before 1 April 1998.

**Increases to your benefits**

**Option 1 – Combined benefits:** your final salary benefits will continue to count as final salary benefits. Final pay from your current job will be used to work out your final salary benefits when your current LGPS membership ends.

The career average benefits built up from 1 April 2014 will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is negative, **revaluation will be negative.**

**Option 2 – Combined benefits:** The value of your deferred final salary benefits will be used to buy pension in the career average scheme. These benefits will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is negative, **revaluation will be negative**.

**Option 3 – Separate benefits:** The deferred benefits will be revalued each year in line with the Consumer Prices Index. However, if inflation is ever negative, your deferred LGPS pension would not reduce. It would stay at the same level.

**4. Is there anything else to consider?**

**Death in service lump sum**

If you die in service as an active member of the LGPS, a lump sum death grant is paid. The lump sum is normally three times your yearly pensionable pay.

If you have a deferred LGPS pension and you die before it is paid, a death grant of five times the deferred pension is paid. If you left the LGPS before 1 April 2008, the death grant is three times your deferred pension.

However, only one death grant is paid.

**Option 1 or Option 2 – Combined benefits:** If you die as an active member, a death grant of three times your yearly pay would be paid

**Option 3 – Separate benefits:** If you die as an active member, the greater of the death grant for your active pension account or your deferred benefits would be paid.

**Tax limits – the Annual allowance**

The Annual allowance limits the amount of pension savings you can make in a year. If you exceed the limit, you may have to pay extra tax. Choosing to combine your deferred benefits with your active pension account could have an impact on the Annual allowance.

The Annual allowance for most members is £60,000. You can carry forward unused Annual allowance from the last three years. This means that you may not have to pay an Annual allowance tax charge, even if the value of your pension savings increases by more than £60,000 in a year.

The growth in your pension savings will be measured against a lower limit in certain circumstances. A lower limit may apply if your taxable income is more than £200,000 or you have previously taken money from a defined contribution pension scheme.

Most people will not be affected by the Annual allowance because:

* their pension savings will increase by less than £60,000 in a year, or
* if their pension savings increase by more than £60,000, they are likely to have unused allowance from previous years that can be carried forward.

**Option 1:** Your pension savings will increase in value if your benefits are combined under Option 1 and your current pay is higher than the pay used to work out your deferred final salary benefits. The higher the pay rise and the more membership you have in the final salary scheme before 1 April 2014, the bigger the increase will be, and the more likely it is that you will exceed the Annual allowance.

If you believe that you might be affected, you may want to get independent financial advice.

**Option 2:** could have a very small effect on your Annual allowance.

**Option 3 – Separate benefits:** no effect on your Annual allowance.

Some members may still exceed the Annual allowance, particularly higher earners and those paying extra pension contributions.

You can find out more about the Annual allowance from the Government’s website: [www.gov.uk/tax-on-your-private-pension](http://www.gov.uk/tax-on-your-private-pension).

**Paying extra contributions**

LGPS members can pay extra to increase their pension benefits. You may have paid extra using one of the arrangements described below. If you have, you need to understand what happens to any payments you have already made and whether you can carry on paying extra contributions.

1. **Paying extra contributions to buy extra pension or added years**

If you were paying Additional Regular Contributions (ARCs) to buy extra pension or buying added years, the extra contributions stopped when your LGPS membership ended.

**Option 1:** the extra pension you have already bought by paying ARCs will be added to the value of your final salary pension. The added years you have bought will count towards your final salary benefits.

**Option 2:** the extra pension from ARCs or added years increased the value of your deferred benefits. This increases the amount of pension that you get in the career average scheme.

**Option 3 – Separate benefits:** the extra pension from ARCs or added years you have bought will be paid when you take your deferred pension.

You cannot continue to pay towards your previous ARC or added years arrangement in your new job. You can start a new contract to pay Additional Pension Contributions. Contact us for more information.

1. **Additional voluntary contributions (AVCs)**

If you paid AVCs before you became deferred, what happens to them depends on which option you choose.

**Option 1:** your AVC will be transferred to an AVC arrangement offered by your new pension fund unless you elect not to transfer it.

**Option 2:** your AVC must be transferred to an AVC arrangement offered by your new pension fund.

If you do transfer your AVC, then it is considered to be a new contract under the current AVC rules. This may change your options when you take your AVC. Contact us for more information.

**Option 3 –** **Separate benefits:** The AVC will remain linked to your deferred benefits. You can start a new AVC linked to your active pension account if you want to.

**Transferring your deferred benefits to another pension scheme**You can transfer your LGPS benefits to another pension scheme, but there are strict rules about pension transfers:

* you cannot transfer if you are within a year of your Normal Pension Age
* you cannot transfer when you are paying into the LGPS
* you must transfer all your LGPS benefits at the same time, even if they are held in different pension funds.

If you choose separate benefits, you cannot transfer your deferred benefits to another pension scheme until your current LGPS membership ends.

**Further information**If you have any questions about your options, please get in touch.

Write to: [pension administrator’s address]

Phone: [pension administrator’s phone number]

Email: [pension administrator’s email address]

*This is a brief leaflet about joining LGPS benefits. It cannot cover every circumstance. If there is any dispute over your pension benefits, the appropriate legislation will apply. This leaflet does not give you any contractual or legal rights and is provided for information purposes only.*

### D3: Pre April 2014 benefits and disqualifying gap

#### Scenario D3: Summary

* The member has deferred benefits built up before 1 April 2014.
* The member has a disqualifying gap. A disqualifying gap is a period of more than five years in which they did not contribute to the LGPS nor any other public service pension scheme.
* The member can elect to combine their benefits. If they do, then the transfer value of the deferred benefits would be used to buy pension in the career average scheme. If they do not, then the benefits remain separate.
* The AVC must be aggregated if the main scheme benefits are combined.

An adapted version of this letter should also be used for certain members who were covered by scenario D2. If a member does not make a decision within 12 months of re-joining the Scheme, they lose the right to elect to be treated as a member on 31 March and 1 April 2014. The ‘IMPORTANT’ section below should be omitted when this letter is used to offer a ‘late’ interfund option to a member in this group.

#### Scenario D3: template letter and option form

**Deferred benefits in the [previous fund] Pension Fund**

You have re-joined the LGPS and you have deferred benefits in the Scheme. You can now decide what happens to those deferred benefits. This letter explains your options.

**IMPORTANT:** this letter is based on the information you gave us. Our records show that:

* there was a gap of more than five years between the date your previous period of LGPS membership ended and the date you re-joined the Scheme, and
* you were not a member of any public sector pension scheme in that period. Public sector pension schemes include schemes for civil servants, teachers, firefighters, the NHS, police and armed forces in the UK.

If this is not right, please get in touch as soon as possible so that we can give you the right information about your options.

**Decision needed by [deadline date]**

Your deferred benefits are separate from your active pension account. If you want to combine your benefits, you must let us know your decision by [deadline date].

If you do not make a decision by [deadline date], your deferred benefits will stay separate.

It is important that you make the right decision. The information in this letter and in the ‘*What to consider if you have previous LGPS benefits (5)*’ leaflet should help you make your decision.

**Option 1 – Combined benefits**

If you choose Option 1, your membership built up before 1 April 2014 will no longer count as final salary membership. Instead, the value of your final salary benefits will buy yearly pension in the career average scheme. This will be added to your active pension account.

If your benefits are combined, your active pension account would increase by:

**Yearly pension £x,xxx.xx** payable from your Normal Pension Age

* Your Normal Pension Age is linked to your State Pension Age with a minimum of age 65
* After your benefits are combined, they will be adjusted each year in line with the cost of living
* If some or all of your deferred benefits built up before 1 April 2008, they include a tax-free lump sum. If you chose Option 1, you will not automatically get a tax-free lump sum
* You can swap yearly pension to provide a tax-free lump sum when you take your pension.

Before you decide, you should compare the yearly pension above with the current value of your deferred benefits – see the section below.

**Option 2 – Separate benefits**

You may choose to keep your deferred benefits separate. If you do, they will continue to increase in line with the cost of living.

The current value of your deferred benefits is:

**Yearly pension £x,xxx.xx** paid from [‘age 65’ or the date the Rule of 85 is satisfied if the whole of the deferred benefits are protected]

**Tax-free lump sum: £xx,xxx.xx**

**What you need to do now**

Once you have decided, please fill in the enclosed option form. If we do not receive your form by [deadline date], your deferred benefits will stay separate. Once you have made your decision, you cannot change it.

**If you want to combine your benefits, you must fill in and return the option form by [deadline date].**

Please get in touch if you need any more information.

Yours sincerely

Enclosed: Combining LGPS benefits – Option form  
Leaflet *What to consider if you have previous LGPS benefits (5)*

**Local Government Pension Scheme (LGPS)  
Combining LGPS benefits – Option form**

**Your name: [Member name] NI number: [NINO]**

Use this form to let us know if you want your deferred benefits from [previous fund] to be added to your active LGPS pension account. Please choose Option 1 or Option 2.

If you do not let us know your decision by [deadline date], then your deferred benefits will remain separate.

**Option 1: Combined benefits**

**I choose to combine my deferred benefits from [previous fund] with my active pension account.**

**I understand that membership in the final salary scheme will no longer count as final salary membership. Its value will be used to buy pension in the career average scheme.**

**I understand that this decision is final and I cannot change my mind later.**

**Signed: Date:**

If you have paid additional voluntary contributions (AVCs), they must be transferred to the AVC arrangement offered by [current fund].

Do you have an AVC fund linked to your deferred benefits? YES NO  
(please delete one)

**Option 2: Separate benefits**

**I choose to keep my deferred pension benefits from [previous fund] separate from my active pension account.**

I understand that my decision is final and I will not be able to combine my benefits at a later date while I am in my current job.

**Signed: Date:**

**REMEMBER:** If you do not return this form by [deadline date], your deferred benefits will remain separate from your active pension account.

Please return the completed form to us:

By post: [pension administrator’s address]

Email a scanned copy to: [pension administrator’s email address]

#### Scenario D3: Member notes

**Local Government Pension Scheme (LGPS)  
What to consider if you have previous LGPS benefits (5)**

This leaflet looks at your options if you are an active member of the LGPS and you have deferred benefits in the Scheme.

You can choose to:

* join your deferred benefits with your active pension account so that you have one set of benefits, or
* keep separate benefits.

**If you do not make a decision to combine your benefits within the time limit set out in the letter that we sent with these notes, your deferred benefits will remain separate from your active pension account.**

There are many things to think about before you decide. In this leaflet we look at the most important ones. You may want to get independent financial advice. You can find out how to choose a financial adviser on the Financial Conduct Authority (FCA) website: [www.fca.org.uk/consumers/what-ask-adviser](http://www.fca.org.uk/consumers/what-ask-adviser).

The main things you need to think about when making your decision are:

1. How are my deferred LGPS benefits worked out?
2. When will my benefits be paid?
3. What are the key differences if I choose separate benefits?
4. Is there anything else to consider?

**1. How are my deferred LGPS benefits worked out?**

How your final salary LGPS benefits are worked out depends on when they were built up.

For membership from 1 April 2008 to 31 March 2014, you get a pension of 1/60th of your final pay.

For membership built up to 31 March 2008, you get a pension of 1/80th of your final pay, plus a tax-free lump sum of three times that pension.

**Final pay for final salary benefits**Final pay is usually your pensionable pay in your final year of membership. The pay from one of the two previous years can be used if it is higher. If you work part time, final pay is the full time pay for your job. Final pay does not include non-contractual overtime.

**Option 1 – Combined benefits:** your deferred benefits will be combined with your active pension account. The membership you built up before 1 April 2014 will no longer count as final salary membership. Instead, the value of your deferred benefits will be used to buy yearly pension in the career average scheme. This pension will be added to your active pension account.

**Option 2 – Separate benefits:** your deferred benefits will remain separate. There will be no change:

* Your deferred benefits will remain final salary benefits. They are based on the final pay in the job you were in when you built up the deferred benefits.
* Your deferred benefits will increase each year in line with the cost of living.

**2. When will my benefits be paid?**

You can take your LGPS pension with no reduction for early payment from your Normal Pension Age.

**Option 1 – Combined benefits:** the combined benefits will be payable from your Normal Pension Age. Your Normal Pension Age is your State Pension Age with a minimum of age 65.

**Option 2 – Separate benefits:** the date these are payable from would not change. The Normal Pension Age for your deferred benefits is generally age 65. See the next section for information about how you might be protected by the Rule of 85.

**What is the Rule of 85?**

Some or all of your deferred benefits may be protected by the Rule of 85. If they are, they can be paid before age 65 without being reduced for early payment. The Rule of 85 is satisfied when you take your benefits if:

* your age in full years, plus
* your length of LGPS membership in full years

add up to 85 or more.

If you worked part-time, your membership counts towards the Rule of 85 at its full calendar length. Not all membership counts towards the Rule of 85.

Working out how you are affected by the Rule of 85 can be complex. The information in the next section should help you to understand the general position.

**How are my benefits affected by the Rule of 85?**

**If you joined the LGPS after 30 September 2006,** you are not protected by the Rule of 85.

**If you are over age 65,** you will not benefit from the Rule of 85. Any Rule of 85 protection only applies if you take your pension before age 65.

**If you will never satisfy the Rule of 85,** then all your benefits will be reduced if you take them before age 65. The reduction will be based on how many years and days before your Normal Pension Age you take your pension.

**If you satisfy the Rule of 85 when you take your pension before age 65,** the benefits you built up before 1 April 2008 will not be reduced. You will have a greater level of protection if you:

* reached age 60 between 1 April 2016 and 31 March 2020
* satisfied the Rule of 85 before 1 April 2020, and
* you are between age 60 and 65 when you take your pension.

If this applies to you, the benefits you built up between 1 April 2008 and 31 March 2020 will be reduced, but the reduction is lower than it would have been if you were not protected.

The Rule of 85 does not apply in full if you choose to take your pension between age 55 and 60.

**Is the Rule of 85 affected if I combine my benefits?**

**Option 1 – Combined benefits:** you will not be protected by the Rule of 85. However, Rule of 85 protection increases the value of your deferred benefits. The amount of pension that value buys is also increased because of your Rule of 85 protection.

**Option 2 – Separate benefits:** any Rule of 85 protection will continue to apply to your deferred benefits. Your active pension account will not be protected by the Rule of 85.

**3. What key differences are there if I choose separate benefits?**

**Redundancy, business efficiency and ill health retirement**

If you are made redundant or lose your job for business efficiency reasons when you are over 55, or if you retire due to ill health at any age, your pension will be paid immediately. Your pension would not be reduced, even if you are under your Normal Pension Age when you retire.

The Government has announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering redundancy and efficiency retirement will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** Benefits paid early would include the deferred benefits that have been combined with your active pension account.

**Option 2 - Separate benefits:** Benefits paid early **would not** include the deferred benefits because you had chosen to keep them separate.

Generally, the separate deferred benefits would be paid from your Normal Pension Age.

Your separate deferred benefits may be paid on ill health grounds. For most members, that will happen if your former employer decides that:

* you are permanently incapable of the job you were working in when you became deferred, and
* you are not likely to be capable of gainful employment for the next three years or before your Normal Pension Age if this is sooner.

Gainful employment is paid employment of 30 hours a week for at least a year. Your former employer must get the opinion of an independent doctor before making its decision.

If you left the LGPS before 1 April 2008, your deferred benefits could be paid on ill health grounds if your former employer decides that you are permanently incapable of doing the job you were in when you became deferred.

**Early payment of benefits**

You can choose to take your pension at any time from age 55. It will normally be reduced if you take it early.

The Government has announced that the earliest age that you can take your pension will increase from 55 to 57 in 2028. The LGPS rules covering early payment will be changed in response to this announcement. This change will not affect ill health retirements.

**Option 1 - Combined benefits:** The combined benefits would be paid if you choose to take your pension early. They cannot be paid at different times. You cannot take the combined benefits until you have left your current job.

**Option 2 - Separate benefits:** You do not have to take the deferred benefits at the same time that you take the benefits in your active pension account. You can generally take your deferred benefits even if you are still in your current job. Different rules may apply if your earlier membership ended before 1 April 1998.

**Cost of living increases**

**Option 1 – Combined benefits:** The value of your deferred final salary benefits will be used to buy pension in the career average scheme. These benefits will be revalued each year in line with HM Treasury Orders. The revaluation is based on changes in the Consumer Prices Index. If inflation is negative, **revaluation will be negative**.

**Option 2 – Separate benefits:** The deferred benefits will be revalued each year in line with the Consumer Prices Index. However, if inflation is ever negative, your deferred LGPS pension would not reduce. It would stay at the same level.

**4. Is there anything else to consider?**

**Death in service lump sum**

As a member of the LGPS, if you die in service a lump sum death grant is paid. The lump sum is normally three times your yearly pensionable pay.

If you have a deferred LGPS pension and you die before it is paid, a death grant of five times the deferred pension is paid. If you left the LGPS before 1 April 2008, the death grant is three times your deferred pension.

However, only one death grant is paid.

**Option 1 – Combined benefits:** If you die as an active member, a death grant of three times your yearly pay would be paid

**Option 2 – Separate benefits:** If you die as an active member, the greater of the death grant for your active pension account or your deferred benefits would be paid.

**Tax limits – the Annual allowance**

The Annual allowance limits the amount you can save towards your pension in a year. You may have to pay extra tax if you save more than the limit.

**Option 1 – Combined benefits:** could have a very smalleffect on the Annual allowance

**Option 2 – Separate benefits:** no effect on the Annual allowance.

Most members will not be affected by the Annual allowance. However, some members may exceed the Annual allowance, particularly higher earners and those paying extra pension contributions.

You can find out more about the Annual allowance from the Government’s website: [www.gov.uk/tax-on-your-private-pension](http://www.gov.uk/tax-on-your-private-pension).

**Paying extra contributions**

LGPS members can pay extra to increase their pension benefits. You may have paid extra using one of the arrangements described below. If you have, you need to understand what happens to any payments you have already made and whether you can carry on paying extra contributions.

1. **Paying extra contributions to buy extra pension or added years**

If you were paying Additional Regular Contributions (ARCs) to buy extra pension or you were buying added years, the extra contributions stopped when your LGPS membership ended.

**Option 1 - Combined benefits:** the extra pension from ARCs or added years increased the value of your deferred benefits. This increases the pension that you get in the career average scheme.

**Option 2 - Separate benefits:** the extra pension from ARCs or added years will be paid when you take your deferred pension.

You cannot continue to pay towards your ARC or added years arrangement in your new job. You can start a new contract to pay Additional Pension Contributions. Contact us for more information.

1. **Additional voluntary contributions (AVCs)**

**Option 1: Combined benefits:** Your AVCs must be transferred to an AVC arrangement offered by your new pension fund.

**Option 2 – Separate benefits:** the AVCs will remain linked to your deferred benefits. You can begin a new AVC linked to your active pension account if you want to.

**Transferring your deferred benefits to another pension scheme**You can transfer your LGPS benefits to another pension scheme, but there are strict rules about pension transfers:

* you cannot transfer if you are within a year of your Normal Pension Age
* you cannot transfer when you are paying into the LGPS
* you must transfer all your LGPS benefits at the same time, even if they are held in different pension funds.

If you choose separate benefits, you cannot transfer your deferred benefits to another pension scheme until your current LGPS membership ends.

**Further information**If you have any questions about your options, please get in touch.

Write to: [pension administrator’s address]

Phone: [pension administrator’s phone number]

Email: [pension administrator’s email address]

*This is a brief leaflet about joining LGPS benefits together. It cannot cover every circumstance. If there is any dispute over your pension benefits, the appropriate legislation will apply. This leaflet does not give you any contractual or legal rights and is for information purposes only*.