

Amendments to the Local Government Pension Scheme (LGPS)

Introduction

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

The regulations amend the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

The summary below does not include all the amendments made by the amendment regulations.

For details of all the amendments, the Statutory Instrument can be viewed here; http://www.legislation.gov.uk/ukxi/2018/493/pdfs/ukxi_20180493_en.pdf

The accompanying commentary should be consulted alongside the statutory instrument. <http://lgpslibrary.org/assets/bulletins/2018/171.pdf>

Deferred Members / Deferred Pension Credit Members

Changes to when you can take your deferred benefit

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

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

Early payment of deferred benefits for pension credit members

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

Reductions to your benefits for early payment

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

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

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

Deferred Members

Changes to pre- April 2014 AVC contracts

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

When you take your AVC plan:

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

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

Active Members

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

If you are currently paying AVCs:

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

When you take your AVC plan:

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

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

Disclaimer

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