

A brief guide to the Local Government Pension Scheme (LGPS) for employees in Scotland

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Where pension terms are used in this guide, they appear in ***bold italic*** type. These terms are defined in the [Some terms we use](#) section.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Highlights of the LGPS

The LGPS gives you:

Secure benefits:

the Scheme provides you with a future income, independent of share prices and stock market fluctuations.

At a low cost to you:

with tax-efficient savings.

And your employer pays in too:

the Scheme is provided by your employer who meets the balance of the cost of providing your benefits in the LGPS.

You can look forward to your retirement in the LGPS with:

A secure pension:

worked out every ***Scheme year*** and added to your ***pension account***. The pension added to your account at the end of a ***Scheme year*** is an amount equal to a 49th of your ***pensionable pay*** in that year if you are in the main section. At the end of every ***Scheme year*** the total amount of pension in your account is revalued to take into account the cost of living (as currently measured by the ***Consumer Prices Index (CPI)***). The ***Scheme year*** runs from 1 April to 31 March.

Flexibility to pay more or less contributions:

you can boost your pension by paying more contributions, which you would get tax relief on. You also have the option to pay half your normal contributions in return for half your normal pension. This is known as the 50/50 section of the Scheme. The 50/50 section is designed to help members stay in the Scheme when times are financially tough.

Tax-free cash:

when you take your pension you have the option to exchange part of it for some tax-free cash.

Peace of mind:

your family enjoys financial security, with immediate life cover and a pension for your spouse, ***civil partner*** or ***eligible cohabiting partner*** and ***eligible children*** if you

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

die in service. If you become seriously ill and you've met the two-year ***qualifying period***, you could receive immediate ill health benefits.

Freedom to choose when to take your pension:

You do not need to have reached your ***Normal Pension Age*** to take your pension. Once you've met the two year ***qualifying period***, you can choose to retire and take your pension at any time between age 55 and 75. Your ***Normal Pension Age*** is simply the age you can retire and take the pension you've built up in full. If you choose to take your pension before your ***Normal Pension Age*** it will normally be reduced, as it's being paid earlier. If you take it later than your ***Normal Pension Age*** it's increased because it's being paid later.

Redundancy and efficiency retirement:

if you are made redundant or retired in the interests of business efficiency when you are 55 or over (or in some cases, 50 or over), you will receive immediate payment of the benefits you've built up, provided you've met the two year ***qualifying period***. Your main LGPS benefits would not be reduced for early payment. Any additional pension you have bought would be reduced if you are under your ***Normal Pension Age*** when you retire.

Flexible retirement:

You may wish to consider flexible retirement if:

- you are age 55 or over
- you have met the two-year ***qualifying period***, and
- your employer agrees.

Flexible retirement helps you ease into retirement. If you reduce your hours or move to a less senior position, you can take some or all the benefits you have already built up. Your benefits may be reduced for early payment.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

The Scheme

This guide briefly describes the membership conditions and main Scheme benefits that apply if you pay into the LGPS on or after 1 April 2015.

The guide is not relevant for councillors.

Any reference to the LGPS or the Scheme is a reference to the LGPS in Scotland.

What kind of scheme is it?

The LGPS is a tax approved, defined benefit occupational pension scheme.

The LGPS was contracted out of the State Second Pension scheme (S2P) until 5 April 2016. From 6 April 2016, 'contracted out' status ended for all pension schemes due to the introduction of the single tier State Pension.

The Scheme was set up under the Public Service Pensions Act 2013 and, in the case of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014, under the Superannuation Act 1972.

The LGPS meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008.

The amount of pension you earn in a **Scheme year** is worked out each year and added to your **pension account**. The total amount in your **pension account** is revalued at the end of each **Scheme year** so your pension keeps up with the cost of living.

The LGPS is very secure because the benefits are set out in law.

Who can join?

The LGPS covers employees working in local government and for other organisations that have chosen to participate in it. To be able to join the LGPS, you need to be under age 75 and work for an employer that offers membership of the Scheme. If you are employed by a non-local government organisation which participates in the LGPS (an **admission body**), you can only join if your employer nominates you for membership of the Scheme. Police officers, operational firefighters and, in general, teachers and employees eligible to join another public service pension scheme, such as the NHS Pension Scheme, are not allowed to join the LGPS.

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

You will automatically join on the date your employment begins if you are eligible, unless your contract of employment is for less than three months.

If your contract is for less than three months, you can elect to join by completing an opt-in form. You will then join from the next pay period. If you don't elect to join, there are two situations where you will automatically join.

Firstly, you will automatically join if your employer extends your contract so that it will last for three months or more. You will then join from the next pay period following your employer extending your contract.

Secondly, you will automatically join if your employer must enrol you into the Scheme under the government's ***automatic enrolment provisions***. Your employer must do so where you are an ***eligible jobholder***, unless your employer decides to postpone the date you join. An eligible jobholder is a worker who is aged at least 22 and is under ***State Pension Age*** and who earns more than £10,000 a year.

If you join the Scheme, you can choose to leave by completing an opt-out form, which you can do once you have started the employment.

How will I know that I have joined the LGPS?

On joining, relevant records and a ***pension account*** will be set up and you will receive an official notification of your membership. If you have more than one employment in the Scheme, a ***pension account*** will be set up for each one. **You should check your payslip to make sure that pension contributions are being deducted.**

Can I opt out of the LGPS and re-join later?

Yes, you can opt out. If you are thinking of opting out you might want to consider moving to the 50/50 section of the Scheme instead. In the 50/50 section, you pay half your normal contributions in return for half your normal pension build-up. To find out more, see the section on [Flexibility to pay less](#).

If, having considered the 50/50 section, you still decide the LGPS is not for you, you can leave the LGPS at any time on or after your first day of eligible employment by completing an opt out form. An opt out form is available from your LGPS administering authority. Your employer is not allowed to provide this to you, although you must return the completed form to them. You might want to take independent financial advice before making the final decision to opt out.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

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If you opt out before completing three months' membership, you will be treated as never having been a member. Your employer will refund to you, through your pay, any contributions you have paid.

If you opt out with three or more months' membership and before completing the two year **qualifying period**, you can usually take a refund of your contributions (less an adjustment for tax) or transfer out your pension to another scheme.

If you opt out of the LGPS after meeting the two-year **qualifying period**, you will have deferred benefits in the Scheme. You will generally have the same options as anyone leaving their job before retirement, except you cannot take payment unless you have left your job.

If you opt out, you can opt back in at any time before age 75, provided you are otherwise eligible to join the Scheme.

If you stay opted out, your employer will normally automatically enrol you back into the LGPS approximately every three years from the date they have to comply with the **automatic enrolment provisions** provided you are an **Eligible Jobholder** at that time. An **eligible jobholder** is a worker who is aged at least 22 and is under **State Pension Age** and who earns more than £10,000 a year.

Your employer can choose not to automatically enrol you if:

- you opted out of the LGPS less than 12 months before the date they are due to automatically enrol you, ie the automatic enrolment date, or
- you or your employer gives notice to end your employment before or shortly after the automatic enrolment date, or
- your employer has reasonable grounds to believe that, on what would have been the automatic enrolment date, you hold Primary Protection, Enhanced Protection, Fixed Protection, Fixed Protection 2014, Individual Protection 2014, Fixed Protection 2016 or Individual Protection 2016.

What do I pay?

You will pay contributions on **pensionable pay** at your contribution rate.

Your contribution rate depends on how much you are paid, but it's currently between 5.5% and 12%. There are five-tiers, with your contributions based on how much of your **pensionable pay** falls into each tier. When you join, and every April after, your employer will decide your rate. If your terms and conditions permanently change

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which affects your pay during the year, your employer may need to review your rate. If you elect for the 50/50 section, you pay half the rates listed in the table below.

Normally, you will pay contributions on the ***pensionable pay*** you receive (if any). However, from June 2018, if you are away on reduced pay or unpaid authorised leave (other than sick leave or injury leave) for a continuous period of less than 31 days, you will pay contributions on the ***pensionable pay*** you would have received had you not been away. If you are away on ***reserve forces leave***, you will pay on the ***assumed pensionable pay***.

Here are the tiers that apply from April 2021.

Table 1: Contribution bands for 2021/22

Actual pensionable pay is:	Contribution rate (%)
On earnings up to and including £22,300	5.5%
On earnings above £22,300 and up to £27,300	7.25%
On earnings above £27,300 and up to £37,400	8.5%
On earnings above £37,400 and up to £49,900	9.5%
On earnings above £49,900	12%

The contribution rates and pay bands will be reviewed periodically and may change in the future.

Do I get tax relief?

As a member of the LGPS, if you earn enough to pay tax, your contributions will attract tax relief when they are deducted from your ***pensionable pay***. There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increases in any one year by more than the standard annual allowance of £40,000 you may have to pay a tax charge. Most people will not be affected by the annual allowance

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Contributions

Does my employer contribute?

Your employer currently pays the balance of the cost of providing your LGPS benefits. Every three years an independent review is undertaken to calculate how much your employer should contribute to the Scheme.

Is there flexibility to pay less in contributions?

Yes, you can move into the 50/50 section of the Scheme. In the 50/50 section, you pay half the normal contributions and build up half the normal pension. See the section on [Flexibility to pay less](#).

Can I pay extra to increase my benefits?

You can increase your benefits by paying extra contributions, known as Additional Pension Contributions (APCs), to buy extra LGPS pension, or by making payments to the Scheme's ***Additional Voluntary Contributions (AVC)*** arrangement. See the section on [Flexibility to pay more](#).

Re-joining the LGPS

If you re-join and have deferred benefits in an LGPS fund, your deferred benefits will generally be automatically joined with your new active ***pension account***. You will have 12 months from re-joining to make your decision. Your employer may allow you longer to decide.

If you re-join and have a deferred refund this **must** be joined with your new active ***pension account***.

Can I transfer in non-LGPS pensions?

If you have paid into a public sector transfer club scheme or to the L G P S in England and Wales or Northern Ireland, you may be able to transfer your previous pension rights into the LGPS. LPF does not accept transfers from private pensions. You only have 12 months from joining the LGPS to opt to do so, unless your employer allows you longer. You cannot transfer a pension that is already being paid to you.

What if I'm already receiving an LGPS pension?

If you are already receiving a pension from the Scheme and you are re-employed in local government or by an employer who offers membership of the LGPS, your pension may be affected. Your pension will only be affected if some or all of it was

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built up before 1 April 2015. You must tell the LGPS administering authority that pays your pension about your new employment, regardless of whether you join the Scheme in your new position. They will let you know whether your pension in payment is affected in any way.

If you are receiving a pension from the Scheme, all of which you built up after 31 March 2015, and you are re-employed in local government or by an employer who offers membership of the LGPS, you do not need to inform the LGPS administering authority that pays your pension. There is no effect on your pension in payment.

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Contribution flexibility

Flexibility to pay less

When you join the Scheme, you will be placed in the main section of the Scheme. However, once you are a member you will be able to elect in writing, at any time, to move to the 50/50 section if you wish.

In the 50/50 section you pay half your normal contributions. This flexibility may be useful during times of financial hardship as it allows you to remain in the Scheme, building up valuable pension benefits, instead of opting out.

A 50/50 option form is available from your employer. If you have more than one job in which you contribute to the Scheme, you would need to specify in which of the jobs you wish to move to the 50/50 section.

If you elect for the 50/50 section, you would be moved to that section from the next available pay period. You would then start paying half your normal contributions and build up half your normal pension while you are in that section. When you make an election for the 50/50 section, your employer must provide you with information on the effect this will have on your Scheme benefits.

If you were to die in service whilst in the 50/50 section, the lump sum death grant and any survivor pensions would be worked out as if you were in the main section. If you are awarded an ill health pension, the amount of enhanced pension added to your **pension account** is also worked out as if you were in the main section.

The 50/50 section is designed to be a short-term option for when times are tough financially. Because of this, your employer must re-enrol you back into the main section approximately three years from the date they first have to comply with the **automatic enrolment provisions** (and approximately every three years after that). If you wished to continue in the 50/50 section at that point you would need to make another election.

There is no limit to the number of times you can elect to move between the main and the 50/50 sections.

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

Flexibility to pay more

There are several ways you can increase your pension benefits, on top of the benefits you are already looking forward to as an LGPS member.

You can increase your pension benefits by paying:

- Additional Pension Contributions (APCs) to buy extra LGPS pension,
- ***Additional Voluntary Contributions (AVCs)*** arranged through the LGPS (in-house AVCs),
- Free Standing Additional Voluntary Contributions (FSAVCs) to a scheme of your choice,
- contributions to a stakeholder or personal pension plan.

Your LGPS administering authority can give you more information on the first two of these options. Contact details are at the end of this guide. You may wish to take independent financial advice before you decide to pay extra.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Your pension

Your LGPS benefits are made up of:

- a pension that increases every year in line with the cost of living for the rest of your life, and
- the option for you to exchange part of your pension for a tax-free lump sum paid when you take your benefits.

How is my pension worked out?

Benefits built up from 1 April 2015

Every year, you build up a pension at a rate of 1/49th of the amount of **pensionable pay** (and **assumed pensionable pay**) you received in that **Scheme year** if you are in the main section. You build up a pension at half this rate if you are in the 50/50 section.

The pension built up during the **Scheme year** is added to your **pension account** and revalued at the end of each **Scheme year**, so your pension keeps up with the cost of living.

The **Scheme Year** runs from 1 April to 31 March.

What pay is used to work out my pension from 1 April 2015?

The amount added into your **pension account** is worked out using your **pensionable pay**, which is the pay on which you pay your normal pension contributions.

If during the **Scheme year** you are:

- on leave on reduced contractual pay or no pay due to sickness or injury,
- on **relevant child related leave** or
- **reserve forces service leave**

then, for the period of that leave, your pension is based on your **assumed pensionable pay**. Assumed pensionable pay is a notional pay figure used to make sure your pension benefits build up as if you were at work receiving normal pay.

If your pay was reduced or increases to your pay were restricted for reasons beyond your control in the last 10 years before retiring or leaving the scheme and your employer issues you with a Certificate of Protection, your benefits for that

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employment can be based on the **pensionable pay** you would have received had the reduction or restriction not occurred.

How is my pension worked out – an example

Let's look at the build-up in a member's **pension account** for six years, assuming that:

- the member joined on 1 April 2015
- their **pensionable pay** was £24,500 in 2015/16
- their **pensionable pay** increases by 1 per cent each year
- The cost of living (revaluation adjustment) for the end of the Scheme years ending 31 March 2016, 2017, 2018, 2019, 2020 and 2021 is -0.1 per cent, 1 per cent, 3 per cent, 2.4 per cent, 1.7 per cent and 0.5 per cent respectively

Table 2: Example of pension build-up

Scheme Year	Opening Balance	Pension Build up in Scheme Year Pay / Build up rate = Pension	Total Account 31 March	Cost of Living Revaluation Adjustment	Updated Total Account
1 2015/16	£0.00	£24,500 ÷ 49 = £500	£500	-0.1% = -£0.50	£500 + -£0.50 = £499.50
2 2016/17	£499.50	£24,745 ÷ 49 = £505	£1,004.50	1% = £10.05	£1,004.50 + £10.05 = £1,014.55
3 2017/18	£1,014.55	£24,992.45 ÷ 49 = £510.05	£1,524.60	3% = £45.74	£1,524.60 + £45.74 = £1,570.34
4 2018/19	£1,570.34	£25,242.37 ÷ 49 = £515.15	£2,085.49	2.4% = £50.05	£2,085.49 + £50.05 = £2,135.54
5 2019/20	£2,135.54	£25,494.79 ÷ 49 = £520.30	£2,655.84	1.7% = £45.15	£2,655.84 + £45.15 = £2,700.99
6 2020/21	£2,700.99	£25,749.74 ÷ 49 = £525.50	£3,226.49	0.5% = £16.13	£3,226.49 + £16.13 = £3,242.62

Benefits built up before 1 April 2015

On 1 April 2015, the LGPS changed from a final salary scheme to a career average scheme. If you joined before then, you have built up benefits in the final salary scheme. These benefits are calculated differently, using your membership up to 31 March 2015 and your **final pay**.

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

For membership built up to 31 March 2009, you receive a pension of 1/80th of your ***final pay*** plus an automatic tax-free lump sum of three times your pension.

For membership built up from 1 April 2009 to 31 March 2015, you receive a pension of 1/60th of your ***final pay***. There is no automatic lump sum for membership built up after March 2009, but you do have the option to exchange some of your pension for a tax-free lump sum.

The underpin

If you were paying into the LGPS on 31 March 2012 and were within 10 years of age 65 at 1 April 2012, you may qualify for an additional protection called **the underpin**. If you are covered by the underpin, you will get a pension at least equal to that which you would have received had the Scheme not changed on 1 April 2015.

If you are covered by the underpin, a calculation will be performed when you leave the Scheme, or at your protected **Normal Pension Age** if earlier. The purpose of this is to check that the pension you have built up is at least equal to the pension you would have received had the Scheme not changed on 1 April 2015. If it isn't, the difference is added into your ***pension account*** when your pension is paid.

The underpin calculation is slightly different if you have been in the 50/50 section at any time. The pension you would have built up in the main section is compared with the pension you would have received had the Scheme not changed on 1 April 2015.

A recent court case has ruled that certain younger members should also qualify for the underpin. The Government is finalising changes to achieve this.

Can I exchange part of my pension for a lump sum?

You can exchange part of your pension for a one-off tax-free cash payment. You will receive £12 lump sum for each £1 of pension you give up. You can take up to 25 per cent of the capital value of your pension benefits as a lump sum. The total lump sum must not exceed £268,275, or, if you have previously taken payment of (crystallised) pension benefits, 25 per cent of your remaining lifetime allowance. Details of the maximum tax-free cash payment you can take will be given to you shortly before retirement. It is at that time you need to decide.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Taking AVCs as cash

If you pay ***Additional Voluntary Contributions (AVCs)*** in the LGPS, you may be able to take your AVC fund as a tax-free lump sum. This option will be open to you if:

- you take your AVC at the same time as your main LGPS benefits
- your AVC plus your LGPS lump sum is less than 25 per cent of the overall value of your LGPS benefits (including your AVC fund) and
- the total lump sum doesn't exceed £268,275¹.

Details of this option will be given to you shortly before retirement.

From age 55 (or earlier on ill health), you may be able to withdraw multiple cash lump sums from your AVC fund – these are called uncrystallised funds pension lump sums (UFPLS). The first 25 per cent of each withdrawal is usually tax free with the remaining 75 per cent taxed as ordinary income. Speak to your AVC provider for more information.

¹Or if you have previously taken payment of (crystallised) pension benefits the total lump sum must not exceed 25% of your remaining lifetime allowance.

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Leaving the Scheme before retirement

If you leave your job before retirement and have met the two-year ***qualifying period***, you will have a right to a pension. You will have two options:

- you can choose to keep your benefits in the LGPS. These are known as deferred benefits and will increase every year in line with the cost of living, or
- you may be able to transfer your deferred benefits to another pension arrangement.

If you leave your job before retirement and **have not** met the two-year ***qualifying period***, you will have two options:

- you will normally be able to claim a refund of your contributions, or
- you may be able to transfer your benefits to a new pension arrangement.

You don't have to decide straight away but you should be aware that:

- a refund must be paid within five years of the date you left the Scheme (or by age 75 if earlier)
- if you do not claim the refund and you re-join the LGPS it will no longer be payable. The benefits will instead be added to your new ***pension account***
- your LGPS administering authority will set a deadline by which you can elect to transfer out. If you don't elect to transfer by the deadline you will only be able to claim a refund of contributions (unless you re-join the LGPS).

Refunds of contributions

If you leave, or opt out after three months, and have not met the two-year ***qualifying period***, you will normally be able to claim a refund of your contributions (less tax). Your administering authority will automatically pay the refund five years after you left (or age 75 if earlier) if you do not claim your refund, transfer your benefits to a new pension arrangement or re-join the LGPS.

Deferred benefits

If you leave before your ***Normal Pension Age*** and you meet the two-year ***qualifying period***, you will be entitled to deferred benefits within the LGPS. Your deferred benefits will be calculated as described in the [How is my pension worked out?](#) section.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

LGPS member guide | Leaving the Scheme before retirement

While your benefits are deferred, they will increase each year in line with the cost of living.

Your deferred benefits will normally be paid unreduced at your **Normal Pension Age**, unless one of the following happens:

- You transfer your deferred benefits to another pension arrangement.
- Your benefits are paid early on health grounds. Your benefits could be paid in full if:
 - you are permanently incapable of doing the job you were working in when you left the LGPS and
 - you are unlikely to be capable of undertaking any gainful employment before **Normal Pension Age**.
- You elect to receive your deferred benefits early from age 55 onwards.
- You elect not to receive your deferred benefits at your **Normal Pension Age** and defer receiving your pension until later. Your benefits must be paid by age 75.

Benefits paid earlier than your **Normal Pension Age**, other than on the grounds of permanent ill health, may be reduced to take account of their early payment and the fact that your pension will be paid for longer. Benefits paid after your **Normal Pension Age** will be increased.

What if I have two or more LGPS jobs?

If you:

- have two or more jobs in which you pay into the LGPS at the same time
- leave one or more but not all of them, and
- you are entitled to deferred benefits from the job (or jobs) you have left

your deferred benefits from the job that has ended are automatically transferred to the active **pension account** for the job you are continuing in, unless you elect to keep them separate. If you wish to keep your deferred benefits separate for the job that has ended, you must elect to do so within 12 months from leaving that job, unless your employer allows you longer. If you are not entitled to deferred benefits from the job (or jobs) you have left, you cannot have a refund of your contributions and you must transfer your benefits to the **pension account** for the job you are continuing in.

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Transferring your benefits

If you leave the Scheme and are entitled to deferred benefits or a refund you can generally transfer the cash equivalent of your pension benefits into another pension arrangement or a new employer's pension scheme. This may even be to an overseas pension scheme that meets HM Revenue and Customs conditions.

You cannot transfer your deferred benefits if:

- you leave the Scheme less than one year before your **Normal Pension Age**
- you are still paying into the Scheme in another employment,
- you have received a pension from the Scheme, or
- you elect to transfer less than 12 months before your **Normal Pension Age**.

Your new pension provider will require a transfer value quotation, which your LGPS administering authority will guarantee for three months.

You may also be able to transfer out your **Additional Voluntary Contributions (AVCs)** to a different pension arrangement. The conditions to be able to do so differ from those set out above. You can transfer your AVCs without having to also transfer out your other benefits.

If you leave the LGPS with a deferred benefit and later re-join, your deferred benefits will normally automatically be transferred to the active **pension account**, unless you elect to keep it separate. If you wish to keep it separate, you must normally elect to do so within 12 months of re-joining. Your employer may allow you longer to decide.

If you leave the LGPS and are entitled to a refund of contributions (normally because you have less than two years' membership) and you:

- do not take the refund, and
- re-join the LGPS

then the deferred refund **must** be joined with your new active **pension account**.

Transferring your benefits to a defined contribution scheme

The UK Government introduced flexible benefits from 6 April 2015 to allow members of defined contribution schemes, who are over age 55, more freedom on how they take money from their pension pot.

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

LGPS member guide | Leaving the Scheme before retirement

The LGPS is not a defined contribution scheme, it is a defined benefit scheme. It is not directly affected by these changes. However, if you stop paying into the LGPS, have three or more months' membership, and have not previously received a pension from the Scheme, then unless you are retiring with immediate effect due to redundancy, business efficiency or ill health, you will have the right to transfer your LGPS pension to a defined contribution scheme providing flexible benefits. The transfer must be completed more than 12 months before you reach your ***Normal Pension Age***.

You will be required by law to take independent financial advice if the value of your pension benefits in the LGPS (excluding AVCs) is more than £30,000. You are not required to do so if the value is less than £30,000. However, transferring your pension rights is not always an easy decision and seeking the help of an independent financial adviser before you make a final and irreversible decision to transfer could help you in making an appropriate decision.

There are four main options for members, aged over 55, who are in a defined contribution scheme which provides flexible benefits:

- buying a guaranteed income for life (an annuity)
- using your pension pot to provide a flexible retirement income (flexi-access drawdown)
- taking multiple cash sums at different stages
- taking the whole pot as cash in one go.

Keep in touch – remember to let the LGPS administering authority know if you move house.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Retirement

When can I retire and take my LGPS pension?

You can choose to retire and take your pension at any time from age 55 to 75, provided you have met the two-year **qualifying period** in the Scheme.

If you voluntarily retire before, on or after your **Normal Pension Age** you can defer taking your benefits, but you must take them no later than your 75th birthday. If you take your pension after your **Normal Pension Age**, your benefits will be paid at an increased rate to reflect late payment.

The **Normal Pension Age** in the LGPS is linked to your **State Pension Age**, but with a minimum of age 65. If your **State Pension Age** changes in the future, your **Normal Pension Age** will also change.

If you built up membership before 1 April 2015, you will have membership in the final salary scheme. These benefits have a different **Normal Pension Age**, which for most people is age 65.

You may have to retire at your employer's instigation, perhaps because of redundancy, business efficiency or permanent ill health. Provided you have met the two-year **qualifying period**, your LGPS benefits must provide you with an immediate retirement pension. See [What if I lose my job through redundancy or business efficiency](#) and [What happens if I have to retire early due to ill health](#) for more information.

Will my pension be reduced if I retire early?

If you choose to retire and take your benefits before your **Normal Pension Age** the benefits will be reduced because they will be paid for longer. Your benefits are calculated as set out in the [How is my pension worked out?](#) section and are then reduced. How much your benefits are reduced by depends on how early you take them.

If you were a member of the LGPS at any time between 1 April 1998 and 30 November 2006, some or all your benefits paid early could be protected from the reduction if you have rule of 85 protection.

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

What if I lose my job through redundancy or business efficiency?

If you are aged 55 or over, you will be entitled to the immediate unreduced payment of your LGPS benefits, provided you have met the two-year **qualifying period** in the Scheme. However, any additional pension paid for by Additional Pension Contributions (APCs) or by Shared Cost Additional Pension Contributions (SCAPCs) would be paid at a reduced rate if the retirement occurred before your **Normal Pension Age**. If you have bought additional pension by Additional Regular Contributions (ARCs), that additional pension would be paid at a reduced rate if the retirement occurs before your pre-1 April 2015 **Normal Pension Age** which, for most, is age 65.

Also, if you were in the Scheme on 5 April 2006 and have had no break in membership thereafter, you will be entitled to immediate payment if you are aged 50 or over. Under tax law, any pension benefits paid to you before your 55th birthday are subject to extra tax charges unless certain conditions apply. This may apply where you continue in a different employment or start a new employment within six months of leaving. This is a complex area and your administering authority or employer will give further details at retirement.

What happens if I have to retire early due to ill health?

If you have to leave work due to illness you may be able to receive immediate payment of your benefits.

To qualify for ill health benefits:

- you must have met the two-year **qualifying period** in the Scheme, and
- your employer, based on an opinion from an independent occupational health physician appointed by them, must be satisfied that you will be permanently unable to do your own job until your **Normal Pension Age**.

Ill health benefits can be paid at any age and are not reduced for early payment. In fact, your benefits are increased to make up for your early retirement.

Can I have a gradual move into retirement?

This is known as flexible retirement. If your employer agrees, from age 55:

- if you reduce your hours or

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

- move to a less senior position
and
- provided you have met the two-year ***qualifying period*** in the Scheme

you can take some or all the pension benefits you have built up, helping you ease into retirement.

If you take flexible retirement before your ***Normal Pension Age*** your benefits may be reduced because of early payment, unless your employer agrees to waive all or part of the reduction. If your employer agrees to flexible retirement, you will still receive your pay from your job on the reduced hours or grade and can continue paying into the LGPS, building up further benefits in the Scheme. Flexible retirement is at the discretion of your employer and they must set out their policy in a published statement.

What if I carry on working after my Normal Pension Age?

If you carry on working after your ***Normal Pension Age*** you will continue to pay into the LGPS, building up further benefits. When you eventually retire you will receive your pension unless you choose to delay taking it. Your pension must be paid by age 75. Your pension will be paid at an increased rate because it will be paid for a shorter time.

How does my pension keep its value?

On taking your pension on or after age 55, it increases in line with the cost of living every year throughout your retirement. As the cost of living increases, so will your pension. If you retire on ill health grounds, your pension is increased each year regardless of your age.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Protection for your family

What benefits will be paid when I die?

On your death, pensions will be paid to your –

- ***eligible children***
- spouse, ***civil partner***, or, if certain conditions are met, ***eligible cohabiting partner***.

A lump sum death grant will also be paid if you–

- die in service as a member of the LGPS
- leave before retirement with deferred benefits and die before receiving them
- die after receiving your pension, before your 75th birthday, and less than ten years' pension has been paid.

How much will the lump sum death grant be?

This will depend on whether you die in service, after leaving but before you take your pension or when you are receiving your pension.

If you die in service as a member of the LGPS, the lump sum is three times your ***assumed pensionable pay***.

If you leave before retirement with deferred benefits and die before receiving them, the lump sum is five times your deferred yearly pension. If you are also an active member of the Scheme in another employment, this may impact on the death grant that is paid.

If you die when you are receiving your pension and before your 75th birthday, the lump sum is ten times the yearly amount of your pension before giving up any pension for tax-free lump sum, reduced by any pension and tax-free lump sum already paid to you. There is a slight difference to this calculation for any part of the pension you were receiving which relates to membership before 1 April 2015. If you are also an active member in another employment, this may impact on the death grant that is paid.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Who is the lump sum death grant paid to?

The LGPS allows you to say who you would like any death grant to be paid to by completing an expression of wish form. You can complete or change your nomination the Fund's online service. Visit www.lpf.org.uk/online to register or sign in. Alternatively you can download a form at www.lpf.org.uk/forms. The administering authority, however, retains absolute discretion when deciding on who to pay any death grant to. You can find out how to contact your administering authority at the end of this guide.

What will be paid to my spouse, civil partner or eligible cohabiting partner?

Your spouse, civil partner or eligible cohabiting partner will receive a proportion of your pension. It will be paid for the rest of their life. Generally, this is:

- 30.625 per cent of the pension you built up from April 2015
- 37.50 per cent of the pension you built up between April 2009 and March 2015
- 50 per cent of the pension you built up before April 2009.

If you die in service as a member of the LGPS, the pension will include a proportion of the increase you would have received if you had retired on ill-health.

If you leave before retirement with deferred benefits and die before taking them, the pension is the relevant percentage of your deferred pension.

If you die after receiving your pension, the pension is the relevant percentage of your pension before giving up pension for tax-free lump sum and before any reductions or increases for early or late payment.

Some parts of your pension are not counted. This includes additional pension bought by paying additional pension contributions, other than where you paid the additional contributions to buy back pension you lost while on unpaid leave.

If you were in the 50/50 section, this does not affect the value of the pension.

Pensions for ***civil partners*** or survivors of same-sex marriages are only based on your membership after 5 April 1988. Pensions for ***eligible cohabiting partners*** are also only based on your membership after 5 April 1988, unless you elected before 1

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

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April 2015 to pay extra contributions for membership before 6 April 1988 to also count.

Also, the amount may be less where you entered into the civil partnership or marriage after leaving.

Due to recent court cases, the Government is reviewing pensions for male survivors of opposite-sex marriages and survivors of same-sex marriages or civil partnerships.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Help with pension problems

Who can help me if I have a query or complaint?

If you have a problem or question about your LGPS benefits, please contact the Fund. They will try to put things right and answer any questions as quickly and efficiently as possible. If your query is about your contribution rate, please contact your employer's HR or payroll section so they can explain how they decided which rate you should pay.

If you are still unhappy, you can use the Internal Disputes Resolution Procedure to have your complaint reviewed. There are also other regulatory bodies that may be able to assist you.

Internal Disputes Resolution Procedure

In the first instance, you should write to the person nominated by either the employer or LGPS administering authority who made the decision you wish to appeal. You may alternatively write to the administering authority, who will refer the complaint to the relevant person. You must do this within six months of the date you are notified about the decision or of the act or failure to act you are complaining about. The nominated person can accept a complaint outside of the six-month period if they think it is reasonable to do so.

This is a formal review of the complaint. It is an opportunity for the matter to be reconsidered. The nominated person will consider your complaint and notify you of their decision. If you are unhappy with the nominated person's decision (or if they fail to make a decision), you may apply to the Scottish Ministers to have it reconsidered.

A leaflet explaining the Internal Disputes Resolution Procedure including relevant time limits is available from your LGPS administering authority.

The Pensions Advisory Service (TPAS)

TPAS provides independent and impartial information about pensions, free of charge, to members of the public. TPAS is available to assist members and beneficiaries of the Scheme with any pension query they have or any general requests for information or guidance concerning their pension benefits. TPAS can be contacted:

In writing: 120 Holborn, London, EC1N 2TD

By telephone: 0800 011 3797

Website: www.pensionsadvisoryservice.org.uk (where you can submit an online enquiry form).

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

The Pensions Ombudsman (TPO)

TPO deals only with pension complaints. It can help if you have a complaint or dispute about the administration and / or management of personal and occupational pension schemes. Some examples of the types of complaints it considers are (this list is not exhaustive):

- automatic enrolment
- benefits: including incorrect calculation, failure to pay or late payment
- death benefits
- failure to provide information or act on instructions
- ill health
- interpretation of scheme rules
- misquote or misinformation
- transfers.

You have the right to refer your complaint to TPO free of charge. There is no financial limit on the amount of money that TPO can make a party award you. Its determinations are legally binding on all parties and are enforceable in court.

Contact with TPO about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later, within three years of when you first knew about it (or ought to have known about it). There is a discretion for those time limits to be extended.

TPO can be contacted:

In writing: 10 South Colonnade, Canary Wharf, E14 4PU

Telephone: 0800 917 4487

Website: www.pensions-ombudsman.org.uk (where you can submit an online complaint form)

The Pensions Regulator (TPR)

This is the regulator of work-based pension schemes. TPR has powers to protect members of work-based pension schemes and a wide range of powers to help put matters right, where needed. If you have a concern about your workplace pension you can contact them:

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

By telephone: 0345 600 7060

Website: www.thepensionsregulator.gov.uk

How can I trace my pension rights?

The Pension Tracing Service holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements, and their dependants, who have lost touch with previous schemes. All occupational and personal pension schemes must register if they have current members contributing to the scheme or people expecting benefits from the scheme. If you need to use this tracing service:

Write to: The Pension Tracing Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU

Telephone: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

Don't forget to keep your pension providers up to date with any change in your home address.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Some terms we use

Additional Voluntary Contributions (AVCs)

These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover.

All LGPS administering authorities have an AVC arrangement that you can use to invest money with an AVC provider. AVC providers are often insurance companies or building societies. AVCs are deducted directly from your pay and attract tax relief.

Admission body

An admission body is an employer that chooses to participate in the Scheme under an admission agreement. These tend to be employers such as charities and contractors.

Assumed pensionable pay

Is a notional pay figure that employers must calculate when your **pensionable pay** is reduced because you are absent from work in certain circumstances eg due to sickness or child related leave. This notional pay figure is used to make sure your pension benefits build up as if you were at work receiving normal pay.

Assumed pensionable pay is also used to work out:

- any increase to your pension awarded as a result of ill health retirement
- any lump sum death grant following death in service, and
- any increase which is included in survivor benefits following death in service.

Automatic enrolment date

This is the earlier of:

- the day you reach age 22, provided you are earning more than £10,000 a year in your job, or
- the beginning of the pay period in which you first earn more than £10,000 in your job, provided you are aged 22 or more and under **State Pension Age** at that time.

Earnings are assessed by converting the pay in the pay period to a yearly figure.

Automatic enrolment provisions

Each employer must automatically enrol their workers who are **eligible jobholders** into a workplace pension scheme, unless the employer decides to postpone for a

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period up to three months. In certain cases, the employer does not have to enrol a person. For example, if the person recently opted out.

Where a person is enrolled into a scheme, the person can choose to opt out. If they do, generally, the employer must automatically re-enrol them back into a scheme at regular intervals, about every three years.

Civil partnership (civil partner)

A Civil Partnership is a relationship between two people of the same sex which is formed when they register as civil partners of each other.

Consumer Prices Index (CPI)

The Consumer Prices Index (CPI) is a measure of inflation of consumer prices in the United Kingdom. This is currently the measure used to revalue your **pension account** at the end of every **Scheme year** when you are an active member. Also, each April after you leave, it is used to revalue your deferred benefits or pension in payment. This ensures your benefits keep up with the cost of living.

Eligible children

Eligible children are your children. They must, at the date of your death:

- be your natural child (who must be born before, or within 12 months of, your death)
- be your adopted child, or
- be your stepchild or a child accepted by you as being a member of your family and be dependent on you. This doesn't include a child you sponsor for charity.

Eligible children must:

- be under age 18, or
- be aged between 18 and 23 and in full-time education or vocational training. Your administering authority can continue to treat the child as an eligible child notwithstanding a break in full-time education or vocational training, or
- be unable to engage in gainful employment because of physical or mental impairment and either:
 - has not reached the age of 23, or
 - the impairment is, in the opinion of an independent registered medical practitioner, likely to be permanent and the child was dependent on you

at the date of your death because of that mental or physical impairment.

Eligible cohabiting partner

An eligible cohabiting partner is a partner you are living with who, at the date of your death, was free to marry or enter into a civil partnership with you and the relationship has met all the following conditions for a continuous period of at least two years:

- you and your cohabiting partner have been living together as if you were a married couple, or ***civil partners***, and
- neither you nor your cohabiting partner have been living with someone else as if you/they were a married couple or ***civil partners***, and
- either your cohabiting partner is, and has been, financially dependent on you or you are, and have been, financially interdependent on each other.

Your partner is financially dependent on you if you have the highest income. Financially interdependent means that you rely on your joint finances to support your standard of living. It doesn't mean that you need to be contributing equally. For example, if your partner's income is a lot more than yours, he or she may pay the mortgage and most of the bills, and you may pay for the weekly shopping.

On your death, a pension would be paid to your cohabiting partner if your partner satisfies your LGPS administering authority that:

- you were free to marry or enter into a ***civil partnership*** with each other on the date of death, and
- the other conditions had been met for a continuous period of at least two years immediately before your death.

For this purpose, your administering authority will require evidence.

You are not required to complete a form to nominate your partner. However, you can provide your LGPS administering authority with your partner's details.

Eligible jobholder

An eligible jobholder is a worker who is aged at least 22 and is under ***State Pension Age*** and who earns more than £10,000 a year. Earnings are assessed by converting the pay in the relevant pay period to a yearly figure.

Final pay

This is usually the pay in respect of (ie due for) your final year of Scheme membership on which you paid contributions, or one of the previous two years if this

is higher. It includes your normal pay, contractual shift allowance, bonus, contractual overtime (but not non-contractual overtime), Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay and any other taxable benefit specified in your contract as being pensionable.

Normal Pension Age

Normal Pension Age is linked to your **State Pension Age** for benefits built up from 1 April 2015 (but with a minimum of age 65) and is the age at which you can take the pension in full. If you choose to take your pension before your Normal Pension Age it will normally be reduced, as it's being paid earlier. If you take it later than your Normal Pension Age, it's increased because it's being paid later.

You can use the Government's **State Pension Age** calculator (www.gov.uk/calculate-state-pension) to find out your **State Pension Age**.

Your **State Pension Age** may change in the future. If it does, this will also change your Normal Pension Age in the LGPS for benefits built up from 1 April 2015. Once your LGPS pension is being paid, any later change in your **State Pension Age** will not affect your Normal Pension Age.

If you were paying into the LGPS before 1 April 2015, your final salary benefits retain their protected Normal Pension Age, which for most is age 65.

All pension benefits paid on retirement (except flexible retirement) must be taken at the same date. You cannot choose to have your final salary pension (built up before April 2015) paid at age 65 and your pension in your **pension account** (built up from April 2015) at your **State Pension Age** (or age 65 if later).

Pension account

Each **Scheme year** the pension you have built up during the year is worked out and added into your active pension account.

Your account may be adjusted during the **Scheme year** due to:

- any transfer of pension rights into the account during the year
- any extra pension bought during the year
- any additional pension which is granted to you by your employer
- any reduction due to a Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a **civil partnership**) and

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- any reduction due to an Annual Allowance tax charge that you have asked the Scheme to pay on your behalf.

Your account is revalued at the end of each **Scheme year** to take account of the cost of living. This is currently measured by the **Consumer Prices Index (CPI)**.

You will have a separate pension account for each employment.

In addition to an active member's pension account there are also:

- a deferred member's pension account
- a deferred refund account
- a retirement pension account
- a flexible retirement pension account
- a pension credit account and
- a survivor member's account.

These accounts will be adjusted due to any Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a **civil partnership**) and due to any Annual Allowance tax charge that you have asked the Scheme to pay on your behalf. These accounts are increased each April in line with the cost of living (as currently measured by the **Consumer Prices Index (CPI)**). A deferred refund account will not be adjusted in these ways.

Pensionable pay

The pay on which you normally pay contributions is your normal salary or wages plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay, Parental Bereavement Pay, and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on:

- overtime above full-time hours (unless it is contractual overtime)
- any travelling or subsistence allowances
- pay in lieu of notice
- pay in lieu of loss of holidays
- any payment as an inducement not to leave before the payment is made
- any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay

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- pay relating to loss of future pensionable payments or benefits
- any pay paid by your employer if you go on reserve forces service leave
- the monetary value of a car or pay received in lieu of a car (apart from some historical cases).

Relevant child related leave

Relevant child related leave includes periods of:

- Ordinary Maternity or Adoption Leave (normally the first 26 weeks)
- Paid Additional Maternity or Adoption Leave (normally after week 26 and up to week 39)
- Paternity Leave
- Paid Shared Parental Leave or
- Paid Parental Bereavement Leave.

Reserve forces service leave

This occurs when a Reservist is mobilised and called on to take part in military operations. The period of mobilisation can be up to a maximum of 12 months. During a period of reserve forces service leave you will, if you elect to stay in the LGPS during that leave, continue to build up a pension based on the rate of **assumed pensionable pay** you would have received had you not been on reserve forces service leave.

Scheme year

The Scheme year runs from 1 April to 31 March.

State Pension Age

This is the earliest age you can receive the basic state pension. State Pension Age for women was increased between 2010 and December 2018 to be equalised with the State Pension Age of 65 that applied to men up to December 2018.

Table 3: State Pension Age equalisation timetable for women

Date of birth	New State Pension Age
Before 6 April 1950	60
6 April 1950 - 5 April 1951	In the range 60 - 61
6 April 1951 - 5 April 1952	In the range 61 - 62
6 April 1952 - 5 April 1953	In the range 62 - 63

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6 April 1953 - 5 August 1953	In the range 63 - 64
6 August 1953 - 5 December 1953	In the range 64 - 65

The State Pension Age increased to 66 for both men and women between December 2018 and October 2020.

Table 4: State Pension increases up to October 2020

Date of birth	New State Pension Age
6 December 1953 - 5 October 1954	In the range 65 - 66
After 5 October 1954	66

Under current legislation, the State Pension Age is due to rise to 67 between 2026 and 2028 and to 68 between 2044 and 2046. However, the UK Government has [announced plans](#) to bring forward the rise to 68 to between 2037 and 2039.

Qualifying Period

To qualify for benefits you must be an active member of the LGPS for at least two years. This is called the qualifying period. You can meet the qualifying period before two years if:

- you have brought a transfer of pension rights into the LGPS from a different occupational pension scheme or from a European pensions institution and the length of service you had in that scheme or institution was two or more years or, when added to the period you have been a member of the LGPS is, in aggregate, two or more years, or
- you have brought a transfer of pension rights into the LGPS from a pension scheme or arrangement where you were not allowed to receive a refund of contributions, or
- you have previously transferred pension rights out of the LGPS to a pension scheme abroad (ie to a qualifying recognised overseas pension scheme), or
- you already hold a deferred benefit or are receiving a pension from the LGPS (other than a survivor's pension or pension credit member's pension), or
- you have paid National Insurance contributions before 6 April 2016 while a member of the LGPS and cease to contribute to the LGPS in the tax year you reach pensionable age (for most, **State Pension Age**), or in any later tax year, or
- you cease to contribute to the LGPS at age 75, or

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- you die in service.

Further information and disclaimer

This guide is for employees in Scotland and reflects the provisions of the LGPS and overriding legislation as at April 2021.

This guide cannot cover every personal circumstance. It does not cover all ill health retirement benefits nor rights that apply to those whose rights are subject to a pension sharing order following divorce or dissolution of a civil partnership. Nor does it cover rights that apply to a limited number of employees eg those whose total pension benefits exceed the lifetime allowance (£1,073,100 currently), those whose pension benefits increase in any tax year by more than the standard annual allowance (£40,000 currently) or for high earners, the tapered annual allowance, or those to whom protected rights apply.

In the event of any dispute over your pension benefits the appropriate legislation will prevail. This short guide does not confer any contractual or statutory rights and is provided for information purposes only.

More detailed information about the Scheme is available from:

Lothian Pension Fund

www.lpf.org.uk

pensions@lpf.org.uk

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