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| <b>Committee:</b><br>Local Government Pension Board           | <b>Date:</b><br>29 June 2018 |
| <b>Subject:</b><br>LGPS (Amendment) Regulations 2018          | <b>Public</b>                |
| <b>Report of:</b><br>The Chamberlain                          | <b>For Information</b>       |
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### **Summary**

This report provides an overview of amendments to the Local Government Pension Scheme (LGPS) Regulations 2013 and LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. These amendments will have a material effect for some scheme members on when and how they can access their benefits. For further information about the amendment regulations, the Local Government Association (LGA) issued [bulletin 171](#) which should be consulted alongside the statutory instrument [SI 2018/493](#).

The Pensions Office will be working on communicating these changes to the Scheme members over the next two months.

### **Recommendation**

The Board is recommended to note the amendments to the LGPS regulations.

### **Main Report**

#### **Background**

1. There have been recent changes to the LGPS following the introduction of the LGPS (Amendment) Regulations 2018 which were made on 17 April 2018 and came into force on 14 May 2018. The regulations amend the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. The main changes are set out in paragraphs 2 to 19 below.

#### **Changes to when deferred pension benefit can be paid**

##### ***Early payment of deferred benefits***

2. if a scheme member left the LGPS with a deferred benefit between 1 April 1998 and 31 March 2014 they can now choose to take early payment of their deferred benefits **from** age 55 (rather than from age 60) on an actuarially reduced basis.
3. The change to the scheme rules means they no longer need the consent of their former employer to take their benefits between the age of 55 and 59.
4. Members who left the LGPS with a deferred benefit on or after 1 April 2014 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***

5. If a scheme member left the LGPS with a deferred benefit before 1 April 1998 the scheme rules have been changed to allow them to take their deferred benefit on

an actuarially reduced basis **at** age 55 (rather than at age 60) or the date their deferred benefit will be payable without a reduction for early payment – this is called the Normal Pension Age (NPA). Their NPA will be between age 60 and age 65 depending on when they joined the scheme.

6. The Ministry for Housing, Communities and Local Government (MHCLG), who make the scheme rules for the LGPS, have confirmed their intention to allow scheme members who left the LGPS before 1 April 1998 to also be allowed to take early payment of their deferred benefits **from** age 55 (rather than only allowing payment at age 55 or NPA), without their former employer's consent.

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

7. A pension credit is an amount of pension benefit awarded to an ex-spouse or civil partner of a scheme member. The amount of the credit is determined by a pension sharing order as part of the legal divorce process.
8. A pension credit member in the LGPS can now elect to take early payment of these benefits from age 55 regardless of when the pension sharing order took effect.
9. Previously, if the pension sharing order took effect before 1 April 2014 or their ex-spouse left the LGPS before 1 April 2014 the earliest age they could access these benefits was age 60.

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

10. For scheme members who pay or have paid Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014, they will see some changes to their AVC plans and how they can receive payment of them.
11. All scheme members can now buy additional pension from the LGPS with the AVC plan when they take their benefits from the scheme. Previously, this option was only available to scheme members who took immediate payment of their main scheme benefits (i.e. pension and lump sum) and their AVC plan when they left the scheme.
12. When a scheme member takes their main scheme benefits they will no longer be able to leave their AVC invested and take it at a later date.
13. If a scheme member dies before taking their AVC and a lump sum is to be paid from their AVC plan, their pension fund now has absolute discretion over who to pay that sum to (rather than it having to be paid to the 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.
14. For scheme members currently paying AVCs:
  - They can now pay up to 100% (rather than 50%) of their pensionable pay into their AVC plan.
  - AVCs will now also be deducted from any voluntary overtime they work (if they pay AVCs as percentage of their salary).

#### **The Protection known as The Underpin has been expanded**

15. The way pension is calculated in the LGPS changed from 1 April 2014. Before 1 April 2014 any benefits built up to 31 March 2014 are protected as final salary

benefits and will normally be calculated using membership to 31 March 2014 and the final year's pay.

16. An additional protection was put in place for scheme members who were active members of the LGPS on **31 March 2012** and who were within 10 years of age 65 at 1 April 2012. Subject to certain conditions, these scheme members will get a pension at least equal to that which they would have received had the scheme not changed on 1 April 2014. This protection is known as the **underpin**.
17. This underpin protection has now been extended to also apply to individuals who were active members of a different public service pension scheme (e.g. teachers) on 31 March 2012 and who were within 10 years of age 65 on 1 April 2012; if these individuals join the LGPS and transfer their pension benefits from the other public service pension schemes into the LGPS scheme and part or all of that transfer buys final salary benefits in the LGPS the underpin will apply.
18. This change is being backdated to take effect from 1 April 2014.

### **Backdating of Admission Agreements**

19. For Admitted Bodies, the start date of an admission agreement may be earlier than the date the admission agreement is signed. For Administering authorities and scheme employers this will be helpful where there are delays in finalising admission agreements, or where they are simply unaware that outsourcing has taken place.

### **Conclusions**

20. Over the next 2 months we will be communicating these amendment regulations to scheme members as follows:
  - Individual communication to deferred scheme members and pension credit members affected by the earlier retirement age.
  - Communications of the changes to the AVCs and expansion of the underpin will be included in our next newsletter.
  - Information about the amendment regulations will be on the pensions website.

### **Contact Details**

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