

Local Government Pension Scheme
Retirement Benefits Notes

RETIRE3

Please complete the enclosed forms in conjunction with the notes:

RETIRE1 (Application to Receive Retirement Benefits) - compulsory

RETIRE2 (Death Grant – Expression of Wish) - not compulsory

These should be returned to:

LGSS Pensions Service
PO Box 202
John Dryden House
8-10 The Lakes
Northampton
NN4 7YD

Failure to correctly complete and return the necessary forms and self certified copies of the necessary certificate(s) will delay the payment of your retirement benefits. Once all the relevant information relating to your retirement has been received from yourself and your employer, full details of your benefits will be sent to your home address.

Please remember to enclose all relevant certificates and in all cases please include a copy of your own Birth Certificate.

If you need any help completing the form(s), please contact LGSS Pensions Service.

Telephone: (01604) 366537

Email: pensions@northamptonshire.gov.uk

Please provide your full name, National Insurance number and date of birth in all enquiries.

This information can be made available in other languages and formats upon request such as Braille, large print and audio cassette. Please phone (01604) 366537 for further information.

To safeguard all our members and comply with the Data Protection Act 1998, we will ask for certain information about you. Once we know who you are, we will amend your details accordingly or provide the information you require. We will only accept changes from you personally and we will only disclose information directly to you. We will not take changes from or disclose any personal information to a third party without your written consent, subject to the provisions of the above Act.

These notes give general guidance only and cannot be treated as a statement of law.

CRET1 (Application to Receive Retirement Benefits) compulsory

Section 1 (Personal Details) to be completed in ALL cases

Section 2 (Method of payment for Lump Sum and Pension) to be completed in ALL cases

Payment of your Lump Sum retirement grant and monthly pension will, if possible, be made by direct credit to your Bank or Building Society. Please consult with your Bank/Building Society in case of difficulty. **Please note when completing form RETIRE1, Section 2, that payment of lump sum and pension will only be made to UK based bank accounts. Therefore to avoid delay in paying your benefits, please ensure that account details provided relate to UK based bank accounts only or forms will be returned to you.**

Section 3 (Partnership Status Declaration) to be completed in ALL cases

Section 4 (Conversion of Pension) to be completed in ALL cases

Section 5 (Additional Voluntary Contribution (AVC) Options) to be completed in ALL cases

Section 6 (No other pensions in payment at due date)

Section 7 (Recycling of Lump Sums) to be completed in ALL cases

Section 8 (Declaration) to be completed if Section 6 was selected

Section 9 (Pensions in payment before 6 April 2006) to be completed if applicable

- Section 10** (Pensions that will have commenced payment on or after 6 April 2006 and before the due date) to be completed if applicable
- Section 11** (Pensions from other arrangements coming into payment on the due date) to be completed if applicable
- Section 12** (Overseas transfer out on or after 6 April 2006) to be completed if applicable
- Section 13** (Protection and Lifetime Allowance Enhancement) to be completed if applicable
- Section 14** (Declaration) to be completed if any of the Sections 9-13 are applicable

From 1 April 2014 the Local Government Pension Scheme is a career average pension scheme. All of the membership you have built up in the Scheme before 1 April 2014 will be used to calculate your benefits in the final salary scheme, based on your final salary at the date of leaving.

How your benefits are worked out when you retire

For each year you have built up in the scheme to 31 March 2008, you will receive a pension of **1/80th** of your final year's pensionable pay multiplied by your membership **plus** an automatic tax-free lump sum of 3 times your pension.

For each year you build up from 1 April 2008 to 31 March 2014, your pension will be at the increased rate of **1/60th** of your final year's pensionable pay multiplied by your membership. There will be no automatic Lump Sum for membership built up after 31 March 2008 but you do have the option to take a tax free Lump Sum in exchange for some of your pension.

From 1 April 2014, your pension will build up at a rate of 1/49th of your pensionable pay or assumed pensionable pay* in a pension scheme year (1st April to 31st March), this monetary value is added to your pension account (pot) and adjusted each year in line with inflation. (*Assumed pensionable pay is the pay you would have received before any reductions due to sickness or relevant child related leave)

Let's look at a member who is retiring at his Normal Pension Age in 2017 with a total of 16 years' service. The first 7 years were built up to 31 March 2008, the next 6 years from 1 April 2008 to 31 March 2014 and the last 3 years in the new scheme from 1 April 2014. Their final pensionable pay figure is £15320. Their career average LGPS 2014 pension is £933.67. This is how the benefits will be calculated:

Membership	Calculation	Annual Pension	Automatic Lump Sum
Built up to 31 March 2008 7 years membership	$7/80 \times £15320.00$	£1340.50	
	$3 \times 7/80 \times £15320.00$		£4021.50
1 April 2008 to 31 March 2014 6 years membership	$6/60 \times £15320.00$	£1532.00	
LGPS 2014 3 years membership	Career average pension	£933.67	
Total		£3086.17	£4021.50

Up to 25% of the overall value of the pension benefits can be taken as a Lump Sum, with £12 Lump Sum for each £1 of annual pension given up.

The above example is intended only as a guide and your final benefits may vary from the amounts derived from this example.

Is there any protection for a member of the Scheme pre 1 April 2014, who are close to retirement?

There is protection for members nearing retirement, to ensure that the member will get a pension at least equal to that which they would have received in the scheme had it not changed on 1 April 2014. This protection is known as the 'underpin'. The underpin applies to a member if they were:

- paying into the Scheme on 31 March 2012; and
- they were within 10 years of their Normal Pension Age (NPA)* on 1 April 2012'; and
- they haven't had a disqualifying break in service of more than 5 years; and

- they haven't drawn any benefits in the LGPS before NPA; and
- they leave with an entitlement to benefits from the Scheme.

* NPA under the 2008 Scheme is age 65.

If the member is covered by the underpin a calculation will be performed at the date they cease to contribute to the Scheme, or at their NPA if earlier, to check that the pension they have built up (or, if they have been in the 50/50 Section at any time, the pension they would have built up in the Main Section of the LGPS), is at least equal to that to which they would have received had the LGPS not changed on 1 April 2014.

Seeking Independent Financial Advice

We always advise that you seek independent financial advice before making important financial decisions. You can use your local phone book or type "independent financial services" into any web browser to source advice.

The site <http://www.unbiased.co.uk/questions-ask-ifa> has some useful questions to ask an advisor before employing them.

The Consumer Financial Education Body was established by the Financial Services Authority and their website, www.moneyadvice.service.org.uk, has information on a wide range of topics, including getting financial advice. They can also be contacted by telephone on **0300 500 5000**.

Declaration of Other Benefits

HM Revenue & Customs (HMRC) make tax rules with which registered pension schemes must comply. The Local Government Pension Scheme (LGPS) is a registered pension scheme. This gives Scheme members certain tax concessions. For example, the contributions that you pay into the Scheme normally attract tax relief. Also, apart from any Pay As You Earn (PAYE) income tax that you may be required to pay on your monthly pension instalments, the benefits provided by the Scheme are not normally taxed further if the total benefits you receive from any registered pension scheme do not exceed a "Lifetime Allowance" set by HMRC. If the value of total benefits does exceed the Lifetime Allowance, the excess will be subject to tax charges. This principle of testing the value of benefits against a Lifetime Allowance was introduced on 6 April 2006 and the Allowance for the 2014/2015 tax year is £1.25million

Why do I have to declare other benefits?

LGSS Pensions Service will be able to value and test the benefits in the LGPS administered by them which are now due to come into payment but, as HMRC rules require account to be taken of all benefits under the LGPS or any other pension schemes which are in payment at the due date, it is necessary for you to declare other benefits. LGSS Pensions Service can then assess whether or not all of your benefits at the due date will exceed the Lifetime Allowance and, if they do, apply tax charges to the pension and/or lump sum to which you are now entitled from the LGPS administered by them.

How can I find out the value of other benefits?

After 5 April 2006, whenever benefits come into payment under a registered pension scheme, you will receive a statement from that pension scheme's administrators showing how much of your Lifetime Allowance you have used up. This can be copied to other pension administrators when they ask for the information – as in this form. As the tax rule was not introduced until 6 April 2006 a statement would not have been issued with benefits paid before this date. Account must be taken of earlier benefits, therefore you may have to contact the pension administrators of those schemes for a statement of the proportion of Lifetime Allowance that the benefits have used up.

When your LGPS pension is paid, LGSS Pensions Service will provide you with a statement of the effect on your Lifetime Allowance. You will be able to show this to other pension scheme administrators if you become entitled to additional benefits after the due date.

If HMRC have issued you with a certificate under "transitional protection" rules, when any payment of pension is due you should provide your pension scheme administrators with a copy of this certificate. The administrators will then be aware that when they test the value of your benefits against Lifetime Allowance, they must take account of the certificate and the relevant protection.

What benefits must I declare on the form?

Benefits from any registered pension schemes must be declared. You will see that there are separate boxes on the form for:

- pensions in payment before 6 April 2006,
- pensions that will have been put into payment on or after 6 April 2006 and before the due date,
- pensions, other than those in connection with which this form has been sent, which may also be put into payment on the due date,
- a transfer of pension rights to an overseas pension arrangement on or after 6 April 2006.

Details of other pensions must include any other LGPS benefits which will be in payment on or before the due date.

You should not declare:

- benefits payable under the State Pension Scheme, including State Pension Credit,
- any benefits to which you are entitled as the widow(er), surviving civil partner or other dependent of the member of any pension scheme,
- benefits that will not be in payment on or before the date on which your LGPS pension from Cambridgeshire Pension Fund will be paid.

You will see that in Section 11 of the form you are asked to state whether any other benefit which comes into payment on the due date should be deemed to come into payment before or after your LGPS pension. This is your choice but it is important to state it because it will dictate which schemes will be responsible for settling any tax liability should you exceed the Lifetime Allowance.

What tax charges are due if the Lifetime Allowance is exceeded?

If the Lifetime Allowance is exceeded, the excess benefits would be subject to a tax charge of 55% on the Lump Sum and 25% on the pension (in addition to any PAYE deductions).

What would happen if I did not return the form?

If you do not return the form, payment may initially be delayed. If payment is made it will be assumed that the Lifetime Allowance has been exceeded and that tax charges apply in full.

What is Recycling of Lump Sums?

The Finance Act 2006 introduced rules regarding the recycling of tax-free lump sums into pension scheme contributions. There may be circumstances where an individual receives or is about to receive a lump sum from one registered scheme, and then uses that payment to make a large contribution into another registered scheme. In effect, this could result in increasing the lump sum from the second registered scheme – referred to as ‘recycling’. HMRC consider this to be unacceptable and have made specific provisions in the Finance Act for such payments to be unauthorised.

The criteria for determining whether there is recycling taking place are quite complicated. Broadly speaking, it will occur if:

- the member receives a lump sum from the pension scheme;
- due to the lump sum, the amount of contributions paid into a registered pension scheme in respect of the individual is significantly greater than it would otherwise have been;
- the additional contributions are made by the member or by someone else, such as an employer;
- the recycling was pre-planned;
- the amount of the lump sum, taken together with any other lump sum taken in the previous 12 month period, exceeds 1% of the standard lifetime allowance; and
- the cumulative amount of the additional contributions exceeds 30% of the lump sum.

Scheme members who breach the recycling rules will be liable to a potential “unauthorised payments charge” of 40% of the lump sum paid and a potential additional unauthorised payment surcharge of 15%.

If you are considering using your lump sum in this way you may wish to seek independent financial advice before making your decision.

Once you are clear, you must delete the relevant statement in Section 7. If you indicate that you are intending to recycle your lump sum, LGSS Pensions Service will inform the tax office that an unauthorised payment has been made, and you should expect a significant tax bill from the tax office.

CRET2 (Death Grant – Expression of Wish form) not compulsory

Death Grant – Expression of Wish

How much will the Death Grant be?

A Lump Sum Death Grant will be payable if the death occurs in the first ten years on pension.

The pre 1 April 2014 element of the death grant is the amount by which the post commutation pension multiplied by ten exceeds the pension paid to death. The post 31 March 2014 element of the death grant is the amount by which the pre commutation pension multiplied by ten exceeds the pension paid to the date of death and the commuted lump sum.

Please be aware that if you become an active member of the LGPS and die whilst an active member, the lump sum that would be payable from the Scheme is the greater of death in service lump sum or the death grant payable from earlier benefits. Simply, if the death in service lump sum is the greater, no lump sum death grant will be payable from the Scheme in respect of those earlier benefits and if the lump sum from those earlier benefits is greater, no death in service lump sum will be due from the current period of membership.

Are there any advantages of making an Expression of Wish?

The advantage of making an Expression of Wish is that the Death Grant will be paid quickly without waiting possibly several months for your Estate to be settled. As the Death Grant is paid at the discretion of the Fund it does not form part of your Estate and therefore is NOT subject to any Court fees or Inheritance Tax if applying for a Grant of Probate or Letters of Administration.

Who can I nominate?

You can make an Expression of Wish in favour of whoever you like to receive the Death Grant – friends, family, partner, even an organisation such as your favourite charity. All we ask is that if naming more than one beneficiary you indicate the share each should receive (making sure the shares add up to 100%).

If you are making an Expression of Wish for more than four persons or organisations, please continue on a separate sheet. If you wish to make an Expression of Wish for someone under 18 years old, you should consider setting up a trust fund. This can be done as part of your Will and a solicitor could assist you in this respect.

What happens if myself and my nominee(s) pass away at the same time?

If you have nominated your spouse, civil partner or cohabiting partner and you both pass away together you can indicate on the Expression of Wish form how you wish the Death Grant to be distributed (eg split equally between children or other family members etc).

Do I have to fill in an expression of wish?

No you don't, but please think about it seriously, as it's the best way of letting us know your wishes. It's also easy to change your mind at any time, by simply filling in a new nomination form. This is something you should think about if your circumstances change, for example if a beneficiary dies.

Will you always comply with my wishes?

The Pension Fund will always try to comply with your wishes although we have absolute discretion as to whom we make payment of the Death Grant to. This means that, in theory, it does not have to be paid to the named nominee (s), although this will only happen in unusual circumstances.

An example is where someone who is now married with children may have made an Expression of Wish in favour of their parents many years ago when they were single. In these circumstances we might think it reasonable that the person had forgotten to update their Expression of Wish and might make payment to the person's estate to benefit their spouse, civil partner, cohabiting partner or children.

REMEMBER, YOU ARE RESPONSIBLE FOR KEEPING THE FORM UP TO DATE

Can I change my Expression of Wish?

Yes, you can change your Expression of Wish at any time by completing a new form and sending it to the Pension Fund.

What happens if my circumstances change?

You should consider completing a new 'Death Grant – Expression of Wish' form if:

- Your circumstances change;
- You become divorced or dissolve a civil partnership;
- A person you have chosen dies.

What will happen to my Death Grant if I don't complete a Death Grant – Expression of Wish Form?

As mentioned earlier, the Pension Fund has absolute discretion regarding who to make payment to. If you do not complete a Death Grant – Expression of Wish Form, it may be that the Death Grant will be paid to your estate and will be paid to whoever is legally entitled to receive payment. The Probate Office decide who that is and will issue a Grant of Probate or Letters of Administration, depending on whether you have written a Will or not.

This process can take time and the Death Grant then forms part of your estate and may be liable for inheritance tax. If you haven't written a Will, your estate might not be distributed in the way you would wish.

What if I have already written a Will?

You can still complete the Death Grant – Expression of Wish Form, which will speed up the process and give the advantages listed earlier.