Exchequer Services
LOCAL GOVERNMENT PENSION SCHEME (LGPS)

Enfield Pension Fund

Transfer of previous LGPS membership

Explanatory Notes

WHAT DO I NEED TO CONSIDER BEFORE MAKING MY DECISION?

At the moment you have a separate deferred benefit for your previous employment in the LGPS. If you take no action this will be automatically combined with your new active pension account.

You need to think about the following things when considering whether or not you should keep your benefits separate:

- How will the benefits from my previous employment be worked out?
- When will my benefits be payable?
- Are there other key areas to consider?

HOW WILL THE BENEFITS FROM MY PREVIOUS EMPLOYMENT BE WORKED OUT?

You have built up benefits in the both the final salary scheme (up to 31 March 2014) and the career average scheme (from 1 April 2014). See **Working out your benefits in the LGPS** in the glossary for information on how these benefits are calculated.

If your previous deferred benefit is combined with your new active pension account then:

(i) the membership you built up before 1 April 2014 in the final salary scheme will continue to count as final salary membership*. This membership will be linked to your active pension account and when you leave your new employment in the future your **final pay** in that employment will be used to work out your final salary benefits for your pre 1 April 2014 membership.

(ii) the amount of pension you have built up in the career average scheme from 1 April 2014 would transfer over to your new active pension account.

If you elect to keep separate deferred benefits then your deferred benefits will increase each year in line with inflation, as currently measured by the rise in the **Consumer Prices Index** (see glossary for more information).

There are, also other matters that you will need to consider including:

WHEN WILL MY BENEFITS BE PAYABLE?

For the pension you have built up in the final salary scheme (before 1 April 2014) your **Normal Pension Age** would be protected at age 65. For the pension you have built up in the career average scheme (on or after 1 April 2014) your **Normal Pension Age** is now linked to your State Pension Age. For more information on **Normal Pension Age** see the glossary.

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What key differences are there if I elected to keep my deferred benefits separate?		
	Combined Benefits	**Separate Benefits**
Redundancy/ Business Efficiency	**Benefits paid early because of redundancy or efficiency would include the value of earlier deferred benefits that have been transferred.** If you are made redundant or lose your job for business efficiency reasons when aged 55 or over then your benefits would be payable immediately and would include the value of the pension that transferred from your deferred benefit.	**Benefits paid early because of redundancy or efficiency in your new employment would <u>not</u> include the value of earlier deferred benefits.** If you are made redundant or lose your job for business efficiency reasons when aged 55 or over then your benefits would be payable immediately but would not include the value of your deferred benefit (because you had elected to retain that as a separate deferred benefit). Subject to the information in the boxes below,the separate deferred benefits would be payable at your **Normal Pension Age**.
Ill- health	**Any benefits paid early because of ill-health would include value of earlier deferred benefits that have transferred.** Your benefits will become payable immediately if your employer decides, based on the opinion of an independent doctor that you are permanently unable to perform the duties of your employment due to ill-health and you are not capable of undertaking other gainful employment. Your pension would be paid at an increased level if you are unlikely to be capable of undertaking other gainful employment within 3 years of leaving. The payment would include the value of your pension that transferred from your deferred benefit.	**Benefits paid early because of ill-health would <u>not</u> include the value of earlier deferred benefits.** Your benefits from your new employment will become payable immediately if your employer decides, based on the opinion of an independent doctor, that you are permanently unable to perform the duties of your employment due to ill-health and you are not capable of undertaking other gainful employment. Your pension would be paid at an increased level if you are unlikely to be capable of undertaking other gainful employment within 3 years of leaving. The payment would **not** include the value of your deferred benefit (because you elected to retain that as a separate deferred benefit). Your separate deferred benefit may become payable but that would only be if your former employer decided in light of the view from an independent doctor that you are permanently incapable of the job you were working in when you left the employment in respect of which the deferred benefit was awarded.

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Early payment of benefits	You can voluntarily choose to draw the combined benefits from as early as age 55 (at, normally, a reduced rate to account for the early payment). However, the combined benefits would be payable at the same time (i.e. cannot be paid at different times) and cannot be paid until you have ceased your new employment.	You can voluntarily choose to draw benefits from as early as age 55 (at, normally, a reduced rate to account for the early payment). However, the deferred benefits do not have to be drawn at the same time as the benefits from your new employment. The deferred benefits can be drawn later than, at the same time as, or earlier than the benefits from your new employment (even if you are still in your new employment at the time you wish to draw the deferred benefits).
Rule of 85 (see glossary for more information on what this is)	If your previous benefits are combined with your new employment and you have **rule of 85** protections these protections will transfer to your new active pension account. However,the date you meet the **rule of 85** may move closer to your **Normal Pension Age** because the break in service between your previous period of membership and your new period of membership will not count towards the rule of 85.	If you decide not to combine your previous benefits with your new active pension account and you have **rule of 85** protections then these continue to apply to your deferred benefits only.
Pay upon which pre 1April 2014 benefits are calculated	If your previous benefits are combined with your new employment the pre 1 April 2014 element of your benefits will continue to be final salary benefits. They will be calculated using your whole-time equivalent **final pay** in the new employment when you cease membership of the LGPS in that employment (based on the definition of **final pay** in the final salary scheme). You will need to consider this point carefully if your whole- time equivalent pay in the new employment is less than the whole-time equivalent pay on which your deferred benefit was awarded (as increased in line with the cost of living).	If you decide not to combine your previous benefits with your new active pension account, the pre 1 April 2014 element of your deferred benefit will have been calculated on your whole-time equivalent final pay in the employment that gave rise to the deferred benefits (based on the definition of final pay in the final salary scheme).

Cost of living increases**	If your previous benefits are combined with your new employment the combined benefits in respect of your post 31 March 2014 membership will be subject to revaluation each year in accordance with HM Treasury Orders. The revaluation is currently in line with the rise in the **Consumer Prices Index** (see glossary for more information). However,in times of negative inflation, the revaluation under a HM Treasury Order could be negative. The combined benefits in respect of your pre 1 April 2014 membership will, as mentioned in the previous entry in this table, continue to be final salary benefits. They will be calculated using your whole-time equivalent **final pay** in the new employment when you cease membership of the LGPS in that employment (based on the definition of **final pay** in the final salary scheme).	The benefits in the active pension account will be subject to revaluation each year in accordance with HM Treasury Orders. The revaluation is currently in line with the rise in the Consumer Prices Index (see glossary for more information). However, in times of negative inflation,the revaluation under a HM Treasury Order could be negative. The benefits in the deferred pension account will be subject to revaluation each year under the Pensions (Increase) Act 1971. Future revaluation is currently in line with the rise in the **Consumer Prices Index** (see glossary for more information). In times of negative inflation, the revaluation under the Pensions (Increase) Act 1971 would be 0% (i.e. it cannot be a negative amount).

ARE THERE ANY OTHER KEY AREAS TO CONSIDER?

Death in Service lump sum

As a member of the LGPS if you die in service a lump sum of three times your annual pensionable pay would normally be payable. If you have a deferred pension and die before it is paid, a lump sum equal to 5 times the deferred pension is paid. However, only one amount for lump sum life cover is payable from the LGPS so, even if you keep your deferred benefits separate from your active pension account, only the greater of the lump sum life cover for your deferred benefit or for your active pension account would be payable.

Annual Allowance Potential Tax Implications

You are advised to be aware of any potential tax implications around combining your deferred benefits with your new active pension account. In the unlikely event that a tax charge would apply your Pension Fund would make you aware of the implications. Please read the glossary for more information on **annual allowance**.

Paying extra contributions

Have you paid extra contributions towards buying additional pension or membership? These would include Additional Voluntary Contributions (AVCs),Added Years, Additional Regular Contributions (ARCs) or Additional Pension Contributions (APCs). Please read **paying extra contributions** in the glossary to find out what your choices in respect of these are.

Transferring the value of your deferred benefit to another pension scheme

Please note that even if you choose not to combine your benefits you will not be able to transfer the value of your deferred benefits to another pension scheme whilst you are contributing to the LGPS or if you have less than one year to go before reaching your **Normal Pension Age**.

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WHAT NEXT?

Please complete the attached option form to tell us whether or not you wish to combine your benefits. This will enable us to take the appropriate action in respect of your pension rights as quickly as possible. If we do not receive your completed form within 12 months of the date you re-joined the scheme, your previous deferred benefit will automatically be transferred to your new active pension account at the end of the 12 month period.

Glossary

Combining previous benefits in the LGPS with your new (or ongoing) active pension account requires you to consider your options and make a decision. The information set out in the leaflet above is specific to your circumstances.

This glossary is provided to help further explain some of the terms used in the leaflet and give more detail about how your benefits are calculated in the LGPS, when they become payable and other important information about protections and **paying extra contributions** in the LGPS.

Working out your benefits in the LGPS
Working out your LGPS benefits depends on when you built up your service in the scheme.

From 1 April 2014	Career Average Scheme
Up to 31 March 2014	Final Salary Scheme (2 different calculations) - From 1 April 2008 to 31 March 2014, and - Up to 31 March 2008

Career Average Scheme
For membership built up from 1 April 2014 - every year you will build up a pension at a rate of 1/49thof the amount of pensionable pay you received in that scheme year if you are in the main section of the scheme (or half this rate of build up for any period you have elected to be in the 50/50 section of the scheme). This pension is then added to your pension account and revalued at the end of each scheme year so your pension keeps up with the cost of living.

Pensionable Pay: For benefits built up from 1 April 2014 your pensionable pay is the amount of pay on which you pay your normal pension contributions. However if during the scheme year you had been on leave on reduced contractual pay or no pay due to sickness or injury, or had been on relevant child related leave or reserve forces service leave then, for the period of that leave, your pension is worked out based on your assumed pensionable pay.

Final Salary Scheme
For membership built up from 1 April 2008 to 31 March 2014, you receive a pension of 1/60thof your final pay. There is no automatic lump sum for membership built up after March 2008, but you do have the option to exchange some of your pension for a tax-free lump sum.

For membership built up to 31 March 2008, you receive a pension of 1/80th of your **final pay** plus an automatic tax-free lump sum of 3 times your pension.

Final Pay
The definition of final salary pay for benefits built up before 1 April 2014 remains the same as before the scheme changed from a final salary to a career average scheme on 1 April 2014 .

Final salary pay is usually the pay in respect of (i.e. due for) the final year of scheme membership on which you paid contributions, or one of the previous 2 years if this is higher. The main differences to the pay used for career average benefits include:

- If you are working part-time when you leave the LGPS, or worked part-time at some point during your last year of membership, your final salary pay is the whole-time pay that you would have received if you had worked whole-time.
- It does not include non-contractual overtime.

There are further protections for final salary pay if your pay is reduced due to a period of sickness, if you are on maternity, paternity or adoption leave or if your pay is reduced or increases to your pay are restricted.

Remember, if your benefits are combined with your new active pension account and they buy an amount of earned pension in the career average scheme, any final salary benefits you had built up will no longer be worked out using the final salary calculations. Instead they will be treated as career average benefits.

Normal Pension Age
The **Normal Pension Age** for deferred benefits that relate to a period of membership that ended after 30 September 2006 and before 1 April 2014 (i.e. in the final salary scheme) is age 65.

The **Normal Pension Age** for deferred benefits that relate to a period of membership that ended before 1 October 2006 (i.e. in the final salary scheme) is: age 60 if, by that age, you would have had 25 or more years membership of the scheme if you had remained in the scheme until then, or the date you would have achieved 25 years membership, if that date would fall after age 60 and before age 65, or age 65 if, by that age,youwouldnothavehad25yearsmembershipofthescheme if you had remained in the scheme until then.

The **Normal Pension Age** for benefits built up from 1 April 2014 (i.e. the career average scheme) is linked to your State Pension Age (but with a minimum of age 65).

If your deferred benefits are combined with your new active pension account and any final salary benefits you have previously built up continue to be counted as final salary benefits then they will have a **Normal Pension Age** of 65.

If your benefits are combined with your new active pension account and any final salary benefits you have previously built up are now counted as career average benefits then they will have a new **Normal Pension Age** which is linked to your State Pension Age (but with a minimum of age 65).

If your benefits are combined with your new active pension account, any existing career average benefits will continue to have a Normal Pension Age linked to your State Pension Age (but with a minimum of age 65).

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If you choose to take your pension before your **Normal Pension Age** the pension you have built up in the scheme will normally be reduced, as it's being paid earlier. If you take it later than your **Normal Pension Age** it will be increased because it's being paid later. The amount of any reduction or increase will be based on how many years earlier or later than your **Normal Pension Age** you draw the pension you have built up in the scheme. If your **Normal Pension Age** for benefits in the final salary scheme is different from your **Normal Pension Age** in the career average scheme then the level of the reductions or increases applied to each set of benefits will be different. Please note that you cannot take your benefits built up in the final salary scheme separately from the benefits you build up in the career average scheme if they have been combined. All of your pension would have to be drawn at the same time (except in the case of Flexible Retirement).

If you have **rule of 85** protections these will still apply. For more information see the explanation of rule of 85 below.

Public service pension scheme

A public service pension scheme includes a pension scheme covering civil servants, the judiciary, the armed forces, any scheme in England, Wales or Scotland covering local government workers, or teachers, or health service workers, or fire and rescue workers or members of the police forces; or membership of a new public body pension scheme.

Rule o f85

What is the Rule of 85?

The rule of 85 is satisfied if your age at the date you draw your benefits and your scheme membership (each in whole years) add up to 85 or more

.

If you work part-time, your membership counts towards the **rule of 85** at its full calendar length. Not all membership may count towards working out whether you meet the 85 year rule.

Who does it apply to?

If you were a member of the LGPS on 30 September 2006, some or all of your benefits paid early could be protected from an early payment reduction.

Working out how you are affected by the 85 year rule can be quite complex, but this should help you work out your general position.

- **If you would not satisfy the 85 year rule by the time you are 65**, then all your benefits are reduced if you choose to draw your pension before your **Normal Pension Age**. The reduction will be based on how many years before your **Normal Pension Age** (protected **Normal Pension Age** of, usually, age 65 for pension built up before 1 April 2014 and new **Normal Pension Age** (linked to **State Pension Age**) for pension built up from 1 April 2014) you draw your benefits.

- **If you will be age 60 or over by 31 March 2016** and choose to draw your pension before your **Normal Pension Age**, then, **provided you satisfy the 85 year rule when you start to draw your pension**, the benefits you build up to 31 March 2016 will not be reduced.

- **If you will be under age 60 by 31March 2016** and choose to draw your pension before your protected **Normal Pension Age** of, usually, age 65, then, **provided you satisfy the 85 year rule when you start to draw your pension**, the benefits you've built up to 31 March 2008 will not be reduced. Also, if you will be aged 60 between 1 April 2016 and 31 March 2020 and meet the 85 year rule by 31 March 2020, some or all of the benefits you build up between 1 April 2008 and 31 March 2020 will not have a full reduction.

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The only occasion where **rule of 85** protection does not automatically apply is if you choose to voluntarily draw your pension on or after age 55 and before age 60.

If I decide to aggregate my benefits will that impact on the rule of 85 protections I have?
If you are deciding whether or not to aggregate your benefits in the LGPS you need to be aware of the potential impact on any **rule of 85** protections.

Please note that if the r**ule of 85** applies to part of all of your previous benefits in the LGPS and there is a long gap between the day you previously left the scheme and the day you re-joined the scheme then combining your benefits could impact on your **rule of 85** protection as it could make your **rule of 85** date later. If this is the case, keeping your deferred benefits separate could protect your earlier **rule of 85** date on that deferred benefit but you would not have **rule of 85** protection on your benefits accruing in your new employment. The reason the earlier **rule of 85** date on that deferred benefit would be protected is because when working our your **rule of 85** date the period after you left the LGPS is also included (known as notional service)in the calculation even though you were not a member of the LGPS. If you re-join and combine your previous benefits then the notional service would no longer be used and any gap in membership of the LGPS membership would not be used when calculating when you would meet the **rule of 85** in the new employment.

Consumer Prices Index(CPI)(i.e. the Cost of Living Adjustment)
The **Consumer Price Index (CPI)** is the official measure of inflation of consumer prices in the United Kingdom. This is currently the measure used to adjust your pension account at the end of every scheme year when you are an active member of the scheme and, after you have ceased to be an active member, it is used to increase (each April) the value of your deferred pension in the scheme and any pension in payment from the scheme. The adjustment ensures your pension keeps up with the cost of living.

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