

# Local Government Pension Scheme (LGPS) 2018 Regulations Changes A Guide for Scheme Members



Changes have been made to the Local Government Pension Scheme (LGPS). These changes, unless indicated otherwise, come into effect from 14 May 2018 and are summarised in this short guide. This guide covers the main changes that now apply, but not all members will be affected.

The following members may be affected by the changes covered in this guide:

<p><b>Active members</b></p>	<p>Members currently paying into the LGPS who are paying or who have paid Additional Voluntary Contributions (AVCs) and whose contracts to pay AVCs started before 1 April 2014.</p> <p><b>What has changed?</b> How much you can pay into your AVC. The ways you can use your AVC fund on retirement.</p>	<p><a href="#">See page 2</a></p>
<p><b>Active members</b></p>	<p>Members who transferred a pension from another public sector scheme since 2015</p> <p><b>What has changed?</b> Some additional protections introduced for members nearer their normal pension age.</p>	<p><a href="#">See page 3</a></p>
<p><b>Deferred members</b></p>	<p>Members who paid into the LGPS in the past and qualify for a pension, but that pension is not yet being paid.</p> <p><b>What has changed?</b> The earliest age at which your LGPS benefits can be paid. If you left the LGPS after 31 March 2014 and paid Additional Voluntary Contributions (AVCs), then the ways you can use your AVC fund on retirement have changed.</p>	<p><a href="#">See pages 3-4</a> <a href="#">See page 2</a></p>
<p><b>Pension credit members</b></p>	<p>Those who were awarded LGPS benefits as part of a pension sharing order following divorce or dissolution of a civil partnership.</p> <p><b>What has changed?</b> The earliest age at which your LGPS benefits can be paid.</p>	<p><a href="#">See page 3</a></p>

## Deferred and Active Members

### Changes to pre-April 2014 AVC contracts

- If you are an active member of the LGPS who is, or was, paying Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014
- OR
- If you are a deferred member, you were a member of the LGPS on or after 1 April 2014, you paid Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014,

Then you will see some changes in how you can take your AVC plan.

#### When you take your AVC plan:

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

## Active Members

### Changes to pre-April 2014 AVC contracts

If you:

- Are a member of the LGPS who is paying Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014

Then you may see some changes to the way your AVC contributions are calculated.

#### If you are currently paying AVCs:

- you can now pay up to 100% (rather than 50%) of your pensionable pay – after deductions for contributions to the main LGPS scheme and National Insurance – into your AVC plan.
- AVCs will now also be deducted from any pay you receive for voluntary overtime or additional hours that you work (if you pay AVCs as percentage of your salary).

## Deferred and Active Members

If you are a deferred or an active member and you started a contract to pay AVCs on or after 1 April 2014 then these rules already apply to you. These recent regulation changes have had no impact on the ways that you can receive payment of your AVC.

For information about the other ways you can use your AVC plan see the [national LGPS website](#).

## Active Members

### Expansion of the 'underpin'

The way your pension is calculated in the LGPS changed from 1 April 2014. If you were a member of the LGPS before 1 April 2014 any benefits built up to 31 March 2014 are protected as final salary benefits and will normally be calculated using your membership to 31 March 2014 and your final year's pay.

An additional protection was put in place for 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 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.

This underpin protection has now been extended to apply to people who were active members of a different public service pension scheme on 31 March 2012 and who were within 10 years of age 65 on 1 April 2012. If these people join the LGPS and transfer their pension benefits from the other public service pension scheme into the new LGPS scheme and part or all of that transfer buys final salary benefits in the LGPS, subject to certain conditions, the underpin will apply.

This change takes effect from 1 April 2014.

More information on the underpin is available on the [national LGPS website](#)

## Deferred and Pension Credit Members

### Changes to when you can take your deferred benefit

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

If you were awarded a share of your ex-spouse's or ex-civil partner's LGPS pension as part of a divorce settlement and you are a pension credit member in the LGPS, **you can now elect to take payment of these benefits from age 55** regardless of when the pension sharing order took effect.

Before the change, if the pension sharing order took effect before 1 April 2014 or your ex-spouse left the LGPS before 1 April 2014 you could only choose to take early payment from age 60 onwards.

#### Early payment of deferred benefits

If you left the LGPS with a deferred benefit between 1 April 1998 and 31 March 2014 **you can now choose to take early payment of your deferred benefits from age 55** (rather than age 60). The change to the scheme rules means that you no longer need the consent of your former employer to take your benefits between the ages of 55 and 59.

Members who left the LGPS with a deferred benefit on or after 1 April 2014 (except councillors) were already able to choose to take early payment of their deferred benefits from age 55 without needing their former employer's consent, and this has not changed.

## Early payment of deferred benefits for leavers before 1 April 1998

If you left the LGPS with a deferred benefit before 1 April 1998 the **scheme rules have been changed to allow you to take your benefit at age 55** (rather than at age 60) or the date your deferred benefit will be payable without a reduction for early payment. This is called your Normal Pension Age (NPA). Your NPA will be between age 60 and 65 depending on when you joined the scheme – you can find this information on your annual benefit statement.

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

## Reductions to your benefits for early payment

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

Produced by Orbis Pension Services on behalf of:



SURREY



City of Westminster



THE ROYAL BOROUGH OF  
KENSINGTON  
AND CHELSEA



h&f  
hammersmith & fulham



HILLINGDON  
LONDON

If you are unsure when your NPA is you should check your annual benefit statement.

The early retirement reduction factors are set by the Government and can vary from time to time. The current factors can be found on the [national LGPS website](#). More information about taking your deferred benefits is available on the [national LGPS website](#).

## Additional information

This short guide is intended to inform scheme members of the most important recent changes to the LGPS rules. It is not intended to be a complete description or interpretation of the scheme regulations. In the event of any dispute, the relevant legislation will prevail.

The scheme rules changes set out in this guide were introduced by The Local Government Pension Scheme Amendment Regulations 2018 (SI 2018/493). The Amendment Regulations included a number of other minor changes which, in general, were to correct previous error in the wording of the scheme regulations, or to clarify the meaning where the wording was not suitably clear.

You can find the full text of The Local Government Pension Scheme Amendment Regulations 2018 on the government's [Legislation website](#).

## Contact details for the pension team

**Phone** 0300 200 1031

**Email** [myhelpdeskpensions@surreycc.gov.uk](mailto:myhelpdeskpensions@surreycc.gov.uk)

**Write to** Pension Services, Surrey County Council, Room 243  
County Hall, Penrhyn Road, Kingston KT1 2DN

**Pension fund website** [www.surreypensionfund.org](http://www.surreypensionfund.org)