

Deferred Benefits

This leaflet contains information on what will happen to your pension benefits if you stop paying into the scheme or leave employment, before becoming entitled to receive immediate payment of your benefits.

This section applies if you left the Scheme on or after 1 April 2014

You will be entitled to a deferred benefit if:

- You leave the scheme with at least 2 years of membership; or
- Where you joined before 1 April 2014, you leave the scheme with at least 3 months of membership*

*You may be able to elect for a refund instead where you have less than 2 years of membership.

There are other circumstances where you may become entitled to a deferred benefit, above are the most common ways. We will confirm your entitlement in writing.

Should you not be entitled to deferred benefits upon leaving, you will normally have the following options:

- to receive a refund of your pension contributions (less any statutory deductions); To transfer your pension rights to another pension scheme (time-limited option); or
- to leave your contributions in the fund in case you re-join the scheme. Note that we will automatically pay the refund at the end of the 5-year period from you leaving, or, if earlier, on the day before your 75th birthday. Should you re-join before claiming the refund, we will add your previous benefits to your new benefits and the right to any unpaid refund will be lost.

Shortly after leaving, we will write to you telling you all about your deferred benefits, including the amount, options available and when you may draw them.

When can I receive payment of my deferred benefits? (post April 2014 leavers)

We will start paying your deferred benefits from your Normal Pension Age, unless you choose to defer (though we must start paying them by your 75th birthday). Normal Pension Age is equal to your State Pension Age (or your 65th birthday if earlier). This means that your Normal Pension Age may change before you draw the benefits (e.g. if government change your SPA).

You may choose to draw your benefits before your Normal Pension Age. You may do so once you have attained age 55 or from any age on the grounds of permanent ill health (subject to your former employer's consent). See 'Early payment of deferred benefits' below for more information.

If you choose to take your benefits before your Normal Pension Age, we will normally apply a reduction because we will be paying them earlier than expected. Equally, if you choose to draw the benefits after your Normal Pension Age, we will apply an increase.

Early payment of deferred benefits (post April 2014 leavers)

You can choose to take your deferred benefits anytime from age 55. You do not need your former employer's consent to receive payment. However, if you do choose to take them before your Normal Pension Age, we will normally apply a reduction as we will be paying them earlier than expected. The amount of the reduction will, in the main, depend on how early you choose to take them.

Early payment of deferred benefits due to permanent ill health

You can request early payment of your deferred benefits on the grounds of permanent ill health, whatever your age. Your employer must agree to your request. To do so, they must be satisfied that (after obtaining an opinion from an Independent Registered Medical Practitioner (IRMP)) you meet certain conditions set out in the Scheme's rules. Should your former employer accept your request, we would pay the benefits from the date of their decision without applying any reductions.

Members who have previously opted out of the scheme

If your deferred benefits are a result of opting out, further to the above, we will not be able to start paying those benefits until you have left the employment you were in when you opted out or you have attained your 75th birthday.

For more information, please see the 'Opting out of the Local Government Pension Scheme' leaflet.

What happens if I die before receiving my deferred benefits? (post April 2014 leavers)

If you die before you start receiving your deferred benefits, we will pay a lump sum death grant. Generally speaking, the death grant will be equal to five times your deferred annual pension.

Please note that if you return to active membership in the LGPS (England or Wales), keep your deferred benefits separate from your new active record, and later die in service, multiple death grants would not be payable – only the highest death grant available would be payable i.e. the greater of 5 times the deferred pension or 3 times your pay (assumed pensionable pay) in your new job.

We have complete discretion over who we pay the death grant to, although we will consider your 'Nomination of Beneficiary - Death Grant Form'. If you have not already completed this form or want to amend it, you can do this via 'My Pension Online' or download a copy from our website:
lppensions.co.uk

In addition to the death grant, we will also pay a pension to your surviving spouse, registered civil partner, or co-habiting partner (provided at death the relationship met certain conditions). We will also pay a pension to any surviving eligible child for as long as they remain eligible.

For more information, please see the relevant section within the 'Ill health and Life Cover' leaflet.

This section applies to members of the scheme who left before 1 April 2014

If you left the scheme between 1 April 1998 and 31 March 2014 inclusive, the Normal Pension Age (the point the benefits become payable without reduction) will be your 65th birthday. If you left before 1 April 1998, the Normal Pension Age will be a date falling between your 60th and 65th birthday as notified to you when you left.

If you left the Scheme after 31 March 1998, you may defer drawing your deferred benefits beyond the Normal Pension Age, though they must be in payment by your 75th birthday. We will increase benefits drawn after the Normal Pension Age as we will be paying them later than expected.

You may draw your benefits earlier than the Normal Pension Age, for the reasons set out below.

In addition to those reasons, you can request early payment of your deferred benefits on the grounds of permanent ill health, whatever your age. Your employer must agree to your request. To do so, they must be satisfied that (after obtaining an opinion from an Independent Registered Medical Practitioner (IRMP)) you meet certain conditions set out in the Scheme's rules. Should your former employer accept your request, we would pay the benefits without applying any reductions.

Normally, for non-ill health cases, we would apply a reduction where you draw benefits earlier than the Normal Pension Age. However, leavers from 1 April 1998 who joined before 1 October 2006 may have protection against all or some of the early payment reduction ('the Rule of 85').

To request early payment, please write to us at the address shown at the bottom of this leaflet. If you do not request early payment, we will write to you shortly before the Normal Pension Age.

Pre 1 April 1998 Leavers

Between ages 50 and 60, you may request early payment on compassionate grounds. Your former employer will need to consent.

Alternatively, you may request to start drawing your deferred benefits at a reduced rate from your 60th birthday provided you are then no longer working in employment to which the Scheme applies. If you are then working in such employment, you may request to start drawing the benefits from the date you cease that employment. For this, you will not need your former employer to consent.

There will be tax implications where you draw your benefits before age 55 on non-ill health grounds.

Leavers between 1 April 1998 and 31 March 2008

Between ages 50 and 60, with your former employer's consent, you may request early payment.

Alternatively, you may request to start drawing your deferred benefits from any time between your 60th birthday and the Normal Pension Age. For this, you will not need your former employer to consent.

There will be tax implications where you draw your benefits before age 55 on non-ill health grounds.

Leavers between 1 April 2008 and before 31 March 2014

Between ages 55 and 60, with your former employer's consent, you may request early payment.

Alternatively, you may request to start drawing your deferred benefits from any time between your 60th birthday and the Normal Pension Age. For this, you will not need your former employer to consent.

Members who have previously opted out of the scheme

If you left after 31 March 1998 and your deferred benefits are a result of opting out, further to the above, we will not be able to start paying those benefits until you have left the employment you were in when you opted out or you have attained your 75th birthday.

What happens if I die before I receive my deferred benefits?

If you die before you start receiving your deferred benefits, we will pay a lump sum death grant.

Please note that if you return to active membership in the LGPS (England or Wales), keep your deferred benefits separate from your new active record, and later die in service, multiple death grants would not be payable – only the highest death grant available would be payable.

We have complete discretion over who we pay the death grant to, although we will consider your 'Expression of Wish - Death Grant Form'. If you have not already completed this form or want to amend it, you can download a copy from our website: lppapensions.co.uk. You can check your nomination details via 'My Pension Online'.

How we calculate the death grant will depend on when you left the Scheme. Generally speaking, if you left before 1 April 2008, the death grant will be equal to the deferred retirement grant; if you left between 1 April 2008 and 31 March 2014 inclusive, the death grant will be equal to five times your deferred annual pension.

In addition to the death grant, we will also pay a pension to your surviving spouse, registered civil partner, or co-habiting partner (provided at death the relationship met certain conditions and you left the scheme on or after 31 March 2008). We will also pay a pension to any surviving eligible child for as long as they remain eligible.

For more information, please see the relevant section within the 'Ill health and Life Cover' leaflet.

Inflation proofing (applies to all leavers)

To ensure it keeps its value, we will adjust your deferred benefits in line with inflation from the time you leave the scheme, and we will continue to do so after you draw them. The inflation proofing is linked to the Consumer Prices Index, and this is applied each April.

Re-joining the Scheme (applies to all leavers)

If you re-join the scheme you will in addition to your deferred benefits, begin to build up new pension benefits. You will have the option of keeping these two sets of benefits separate or joining them together to form just one set of benefits.

Please note that if your deferred benefits are because you opted out on or after 11 April 2015, you may not join those deferred benefits to any period of membership that commences thereafter.

You will normally only have 12 months from the date you re-join to make this decision.

Please note, the options you have regarding the benefits the deferred pension will buy if joined with your new benefits depends upon whether you had a continuous break of active membership of any public service pension scheme exceeding 5 years between leaving and re-joining the Scheme.

Further details will be sent to you upon re-joining.

Transferring your deferred benefits to a different scheme (applies to all leavers)

You may be eligible to elect to transfer your deferred benefits to another pension scheme subject to that pension scheme being suitably approved and willing and able to accept the transfer.

Upon joining your new pension scheme, you should let them know that you have deferred benefits with us, and they will write to us requesting details of the transfer value available.

If you can and decide to transfer, we will transfer the cash equivalent value of your deferred benefits to the new scheme.

Please be advised that should you, in return for a transfer, be looking to acquire “flexible benefits”, you must normally obtain appropriate independent advice (payable at your own cost) before we pay the transfer. Generally, a “flexible benefit” is a pension benefit which is calculated by reference to an amount of money, such as money purchase or cash balance benefits. We can tell you more about this on request.

Irrespective of whether you are required to obtain financial advice, it is nonetheless still a good idea to do so in order to understand fully the pros and cons.

Warning – Pension scams

If you are looking into transferring your benefits to another pension provider, beware of pension scams which are on the increase in the UK. Pension scams can take many forms. Many offer ‘One-off pension investments’, ‘pension loans’ or ‘upfront cash’ to entice savers to transfer their hard-earned pension benefits.

Once you’ve transferred your pension, it’s too late.

Please visit www.pensionsadvisoryservice.org.uk or www.thepensionsregulator.gov.uk for more information on how to spot a pension scam.

It should be noted that for members who left the scheme within any of the periods mentioned above the former employer has the power to waive actuarial reductions which may apply to early payment of benefits and will have a policy in place which covers this discretion.

To request early payment of your deferred benefits, please write to us. Otherwise, we will contact you when your benefits can be paid without any reductions applying.

This sheet is for general use and cannot cover every personal circumstance as its contents are based on our understanding of the legislation and events at the time. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this sheet does not confer any contractual or statutory rights and is provided for information purposes only.