

# **The Local Government Pension Scheme 2008**

**Combining periods of membership on  
taking up a new employment covered by  
the Local Government Pension Scheme**

**How to do it and points to consider**



## Combining periods of membership within the Local Government Pension Scheme

If you have left an employment in which you were a member of the Local Government Pension Scheme (“LGPS”), what happens to your pension rights?

Provided you had at least 3 months’ membership of the LGPS in that employment (or, if less, you had pension rights from some other pension arrangement transferred in to the Scheme), you will be entitled to deferred benefits. Deferred benefits are calculated as follows.

For any period of membership before 1 April 2008 you would receive an annual pension plus a lump sum retirement grant, worked out as:

annual retirement pension = period of membership x 1/80 x final pay

lump sum retirement grant = period of membership x 3/80 x final pay

For any period of membership on or after 1 April 2008 you would receive an annual pension, worked out as:

annual retirement pension = period of membership x 1/60 x final pay

with no automatic provision of a retirement grant. But you do have the option to give up part of your pension (whether accrued before or after 1 April 2008) to provide a lump sum – for every £1 of pension you give up, you would receive a lump sum of £12.

These benefits are held in the Pension Fund, i.e. “deferred”, until you are eligible to draw them. This would normally be –

- at or after age 65 but before age 75, or
- at or after age 60 but before age 65 and with a reduction if you do not have “Rule of 85”<sup>1</sup> protection, or
- at or after age 55 but before age 60 with your former employer’s consent, and possibly with a reduction, or
- at any age on grounds of permanent ill-health, as defined in the LGPS.

Alternatively, you could ask for your deferred benefits to be transferred to some other pension arrangement.

However, if you become a member of the LGPS in a new employment, you could elect to have your deferred benefits cancelled and the period of membership upon which they were based added to the period of membership in your new post.

These notes explain the pros and cons of combining LGPS membership. If you wish to do this, **you should note that there is a time limit of 12 months** from taking up your new post in which to elect. You must also be an active member of the Scheme (i.e. a contributing member, still in service) when you make your election.

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<sup>1</sup> The “Rule of 85” allowed certain longer serving members who joined the LGPS before 1 October 2006 to retire before age 65 without reduction to their benefits. Check with Pension Services if you joined before 1 October 2006 and are uncertain whether you are covered by this Rule.

### **Will my previous LGPS membership transfer automatically?**

No. For an earlier period of LGPS membership to be combined with the membership you will accrue in your new employment you must elect for this to happen by giving written notice to Pension Services within 12 months of taking up your new employment and while still an active member in that employment.

### **I have deferred benefits in more than one previous employment. Can I transfer them all?**

Yes. But you would be required to complete a separate election for each set of benefits you wish to transfer and will need to consider the advantages and disadvantages of each individual transfer (see later in these notes).

### **Does it matter whether my deferred benefits are held in the Staffordshire County Pension Fund or some other Pension Fund?**

No. As long as they are benefits representing a period of membership of the LGPS it does not matter in which Fund they are held; they are all potentially transferable to count in your new pensionable employment.

### **Are there any deferred benefits I cannot transfer?**

Yes. If your deferred benefits are derived from a pension sharing order, you cannot transfer them to combine with your new period of membership. A pension sharing order is made by a court on divorce or dissolution of a civil partnership. It orders pension scheme administrators to “split” the benefits of a scheme member so that his/her former spouse or civil partner may have a share. Under the LGPS Regulations the spouse/partner’s share can stay in the relevant fund as a deferred pension but it cannot be combined with any other LGPS pension rights.

Also, elected members of an authority can join the LGPS as “councillor members”. The structure of their LGPS benefits is different to the structure of benefits for other Scheme members. Consequently, councillors’ pension rights cannot be combined with other LGPS benefits unless the new period of membership is as an elected member in the same Fund.

### **Will the period of membership count at the same length on transfer?**

Yes, except in very few cases<sup>2</sup>.

If, for example, you requested a transfer in respect of deferred benefits based on 7 years 183 days and then retired after 15 years’ membership in your new employment, you would be able to add the 7 years 183 days of transferred membership to the later 15 years and have retirement benefits based on a total of 22 years 183 days.

Also, any part of the period upon which the deferred benefits were based which was before 1 April 2008 will continue to provide a pension and lump sum based on 80ths; any period of membership which was on or after 1 April 2008 will provide a pension based on 60ths.

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<sup>2</sup> The period of membership may be reduced slightly if the membership relates to the deferred pension of some married men who had service before 1.4.1972 and whose pension was deferred before 1.4.1998; this is to enable the standard 3/80ths-based retirement grant to be paid in respect of that period of service. Service accrued by a married man before 1.4.1972 service attracted only a 1/80th-based retirement grant.

## **What happens if I do not elect to transfer the deferred benefits?**

They will remain as they are.

Deferred benefits are protected against the effect of inflation in accordance with Pensions Increase Acts and Orders.

## **What happens if I do elect to transfer the deferred benefits to my new employment?**

If they are held in a Fund other than the Staffordshire Pension Fund, Pension Services will write to the other Fund requesting a transfer payment and details of the membership upon which the deferred benefits were based. On receipt of the payment and details from the other Fund, the membership will be added to the period of membership you are accruing in your new employment. You would be notified that this had happened.

If the deferred benefits are held in the Staffordshire Pension Fund, the membership on which they were based will simply be added to your new period of membership if you so elect. You would be notified that this had happened.

## **What are the advantages and disadvantages of transferring a period of membership to a new employment covered by the LGPS? What issues should I consider?**

### Pensionable pay

One of the first things you should take into account is the pensionable pay upon which your deferred benefits were based and the pensionable pay in your new employment.

The LGPS is a final salary scheme – according to your length of service you get a proportion of final pay as a pension (see page 2 for the calculation method). It is important, therefore, that your period of membership should be set against the highest pay possible. Often, people will leave employment to take up a job with higher pay. Then if membership is transferred, it will all count against the higher pay; if not transferred it will count against the lower pay in the previous employment. This could be a good reason for transferring membership. It is important, though, to remember that LGPS benefits are inflation-proofed. You need to consider how the new pay compares with the previous pay if the latter had the equivalent of Pensions Increase applied.

To help you with this, if these notes have been issued with a covering letter about transferring service to a new employment, the letter will provide a comparison between the pay upon which your deferred benefits were based, notionally increased in line with inflation, and the rate of pay when you took up your new employment.

If you worked part-time hours in any of your employments, please note that when benefits are assessed it is always the whole-time equivalent pay that is used in the calculation. So if you were whole-time in a previous job and part-time in your new job, provided the whole-time equivalent salary is not less, your benefits would not be adversely affected in this respect if you combine the periods of membership.

Of course it may be that your new job initially offers lower pay than your previous job, but it has better pay prospects. In which case it may be worth considering transferring.

Unfortunately you have only 12 months from taking up your new job in which to judge whether the pay when you retire from the new job will have outstripped the pay – taking account of the effect of inflation – in your previous job. If you do transfer and better pay does not materialise, the value of your benefits will have reduced; if you do not transfer, at least you retain your previous entitlement.

### Early leaver with deferred benefits

You should also consider the possible reasons for leaving your new employment. If you leave before any benefit can be put into immediate payment then you would again become entitled to a deferred benefit.

If you have transferred membership, the deferred benefit will be based on the period of membership accrued in the employment you have just left plus the transferred period.

If you have not transferred you will have an additional set of deferred benefits.

### Ill-health retirement

But what if you should be required to retire on grounds of permanent ill-health with entitlement to immediate payment of an ill-health pension?

If you have transferred your previous membership to the new employment, the transferred service will be taken into account in the calculation of the ill-health pension. If you had chosen not to transfer earlier membership, leaving it in the form of deferred benefits instead, it would not be paid as part of the ill-health pension.

There is no automatic entitlement to early payment of a deferred pension on ill-health grounds simply because an ill-health pension is paid in respect of a later employment. You would have to request early payment of the deferred pension from your previous employer and this would be subject to a medical opinion given by an independent registered medical practitioner nominated by your former employer and approved by the Pension Fund.

The questions asked of the medical practitioner for the opinion will depend upon whether the employment upon which the deferred benefits are based ceased before, or after, 1 April 2008.

### Redundancy/efficiency retirement

What if you should be required to retire on grounds of redundancy or efficiency?

In these circumstances, if an LGPS member is aged 55 or over, benefits are paid immediately without any reduction for early payment. If you have transferred membership the benefits will take the transferred period into account; if you have not transferred membership, they won't.

If you are aged 60 or over, you could ask your previous employer to release the deferred benefits at the same time as you receive your redundancy/efficiency benefits, but they may be subject to a reduction.

If you are aged between 55 and 60 you could ask for the deferred benefits to be put into early payment but this would be at the discretion of the previous employer, and the benefits would be reduced unless the previous employer waives the reduction on compassionate grounds. (Early release of benefits before age 60, with or without the waiving of reduction, is rare.)

## Age retirement

Some longer-serving members may have protection against the reduction applied to age retirement benefits when paid voluntarily before age 65 (see footnote on page 2). This protection could be affected if they decide to combine benefits. To summarise –

- if you first joined the LGPS after 30 September 2006, or you joined before 1 October 2006 and would not be able to count 21 or more years' membership if you had remained in the Scheme to age 65, the earliest age at which you can voluntarily draw your LGPS benefits without a reduction is 65 and your decision will not affect this.
- if you first joined the LGPS before 1 October 2006 and would have had 21 or more years' membership if you had remained in the Scheme to age 65, then some or all of your deferred benefits have protection. You should consider the following points –
  - if you keep your benefits separate, then any protection you may have on your deferred benefits from your old job will not apply to the benefits you build up in your new job. The protections will continue to apply to your deferred benefits but the earliest age at which you will be able to voluntarily draw LGPS benefits from your new job without a reduction will be 65.
  - if you choose to join your benefits together, then any protection you may have on your deferred benefits will apply to the benefits you build up in your new job but, if you have a break in service between leaving your jobs, the earliest date at which you can retire with the protections may be later.

## Death benefits

Your choice of whether or not to transfer pension rights could affect any death benefits payable. Death benefits provided by the LGPS and the effect of combining membership or keeping separate benefits are as follows:

- A death grant is payable to the estate of the deceased or to a beneficiary or beneficiaries nominated by the Scheme member if the nomination has been accepted by the administering authority.
- If a person dies while entitled to deferred benefits awarded under the LGPS 2008, the death grant in respect of those benefits would be a lump sum equivalent to five times the deferred pension; if deferred benefits were awarded under the LGPS before 1 April 2008, the death grant would be equivalent to the deferred lump sum. Inflation-proofing is applied if relevant. In both cases, account is taken of the period of membership.

However, if a person dies in service, the death grant is three times pensionable pay regardless of length of membership.

So in the case of a person who does not transfer deferred benefits to a new employment and dies in service, a greater total amount of death grant may be payable, i.e. in respect of both the new employment and the deferred benefits.

- Under the LGPS 2008, a pension is provided for a surviving spouse, civil partner or nominated cohabiting partner, and for eligible children. If a person dies while entitled to deferred benefits, dependants' pensions would be a proportion of the deferred benefits. If a person dies in service, dependants' pensions are a proportion of the ill-health pension the member would have received if retiring on health grounds at the date of death. Ill-health pensions are based on the total membership in the employment and, where used as a basis for dependants' pensions, include an "enhancement" of the membership. Under the LGPS 2008, the enhancement is based on the period between the date of death and the deceased member's normal retirement age. There is no advantage, in this respect, to having combined the periods of membership.

- If you were not married when you left your previous employment, and you keep your benefits separate then marry at a later date, any widow's pension in respect of the separate deferred benefits would be calculated on membership on and from 6 April 1978 only and any widower's pension would be calculated on membership on and from 6 April 1988 only. (Benefits payable to a surviving civil partner would be based on the whole period of membership, even if the civil partnership was formed at a later date.) If you transferred the benefits based on your previous employment to combine with the new, and you are married by the time you leave the LGPS, the surviving spouse's pension (or surviving civil partner's pension) would be based on your total period of membership.
- The LGPS 1997 did not provide pensions for cohabiting nominated partners. If you have such a partner and became entitled to a deferred pension before 1 April 2008, there may be an advantage to combining the periods of membership. This would enable your nominated partner's pension entitlement to be based on your membership accrued on and after 1 April 1988 but before 1 April 2008 as if it were all membership under the LGPS 2008.

### **Transferring membership from a concurrent employment**

If, instead of being a LGPS member in an employment which ended before you took up your current employment, you were in an employment which ran at the same time (not necessarily for the whole period), then you have the option to transfer your pension rights but on special "concurrency" principles. These principles are not the same as outlined in this leaflet. Pension Services can provide you with a separate set of notes on this subject.

### **Further information**

None of us know what the future holds and it may not be until you leave your new employment that you can judge whether or not it was in your best interests to keep your deferred benefits separate from later benefits, or whether it would have been to your advantage to combine them. These notes explain some of the points you should consider when arriving at your decision. They cannot cover all circumstances but you may find them helpful.

If you would like more information about the transferring of LGPS membership from a previous employment, or from a concurrent employment, please contact:

**Pension Services Section, Staffordshire County Council,  
Wedgwood Building, Tipping Street, Stafford ST16 2DH**

**Telephone: 01785 278222**

**E-mail: [pensions.enquiries@staffordshire.gov.uk](mailto:pensions.enquiries@staffordshire.gov.uk)**

General information about the LGPS can be found on the Staffordshire Pension Fund website at:

**[www.staffspf.org.uk](http://www.staffspf.org.uk)**

Members of the Pension Services Section can give you general information about the LGPS but cannot offer advice. They are not authorised under the Financial Services Act. If you wish to receive individual and independent advice you may wish to talk to a registered independent financial adviser (who may charge for this service). Information about finding a financial adviser can be obtained from the Financial Services Authority, who have a helpline: 0845 606 1234 and a website at [www.fsa.gov.uk](http://www.fsa.gov.uk).

**If a copy of this information is needed in large print, Braille, another language or on cassette or disc, please contact Pension Services at Wedgwood Building, Staffordshire County Council, Tipping Street, Stafford ST16 2DH**