

**Cronfa Bensiynau Clwyd
Clwyd Pension Fund**

Gweinyddwyd gan
Administered by



Councillor Member Guide

A brief Guide to the Local Government Pension Scheme (LGPS) for Eligible Councillors in Wales

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My Pensions Choice

Drawing your pension is a goal to look forward to. However, if your pension is to meet your expectations, you will need to plan now for your income in retirement.

Your retirement income and benefits, over and above the State Pension, will in general be provided by a personal pension plan, a stakeholder pension scheme or by an occupational pension scheme such as the Local Government Pension Scheme (LGPS).

The Scheme

This is a short description of the conditions of membership and main scheme benefits that apply if you pay into the LGPS as an Eligible Councillor. The LGPS is a statutory, funded pension scheme. As such it is very secure because its benefits are defined and set out in law.

Highlights of the LGPS include:

- a tax-free lump sum when you retire
- an annual pension based on your Career Average pay
- the ability to increase your pension by paying additional contributions
- voluntary retirement from age 55
- retirement from age 50 to 54 with your authority's consent
- an ill health pension from any age
- a death in service lump sum of two times your career average pay
- a spouse's or civil partner's pension (as well as any eligible children)
- the index-linking of benefits to ensure that they keep pace with inflation

Who can join?

The LGPS is available to all Councillors of a Welsh county council or county borough council who are offered membership of the Scheme under the council's scheme of allowances and who are under age 75. Those who are offered membership are termed **Eligible Councillors**. If you have been offered membership of the Scheme it will be for you to decide whether to opt to join the Scheme. If you make an election to do so you will become a member of the LGPS from the beginning of the first pay period following the receipt of your option.

How do I ensure that I have become a member?

To secure your entitlement to the Scheme benefits it is important that you complete and return the joining form if you wish to opt into the Scheme. On receipt of your form, relevant records will be set up and official notification of your membership to the Scheme will be sent to you. In addition, you should check your allowance payments to ensure that pension contributions are being deducted.

What do I pay?

Your contribution is currently 6% of the pay you receive. As a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your allowances. To achieve this, your contributions are deducted from your allowances before you pay tax. So, for example, if you pay tax at the rate of 20%, every £1 that you contribute to the Scheme only costs you 80p net.

There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increase in any one year by more than the annual allowance of £40,000, you may have to pay a tax charge. Most people will not be affected by the annual allowance.

What does the council pay?

The council pays the balance of the cost of providing your benefits after considering investment returns. Every three years, an independent actuary calculates how much the council should contribute to the Scheme. The amount will vary, but the present underlying assumption is that you contribute approximately one third of the Scheme's costs and the council contributes the remainder.

Can I pay extra to increase my benefits?

Members can increase their benefits by making payments to the scheme's Additional Voluntary Contributions (AVC) arrangement. Additionally, you may pay contributions into a personal pension plan or a stakeholder pension scheme. **For further information about an AVC, please contact the Pension Section.**

Can I transfer pension rights into my current LGPS Fund from a previous pension scheme?

The rules of the Scheme do **NOT** permit you to transfer pension rights into the LGPS from another pension scheme or, indeed, from another Local Authority Pension Fund.

If you have a deferred benefit from a previous period of councillor membership in the same LGPS Fund you may opt to aggregate the earlier councillor membership with the current period of councillor membership, but only if you opt to do so within 12 months of rejoining the Scheme or such longer period as your council allows. This is a council discretion; you can ask your council what their policy is on this matter.

I'm already receiving an LGPS pension – will it be affected if I join again?

If you become a councillor where your council offers you membership of the LGPS you must tell the LGPS Fund that pays your pension about your new position, regardless of whether you join the scheme in your new position or not. They will then check to see whether the pension they are paying should be reduced.

Retirement

When can I retire?

You can retire and receive your LGPS benefits in full once you have attained age 65. The Scheme also makes provisions for the early payment of your LGPS benefits.

What are my retirement benefits?

When you retire, you will receive a pension and a tax-free lump sum from the LGPS. At State Pension Age you may also receive a state retirement pension if you have paid sufficient National Insurance contributions during your working life. For further information regarding your State Pension, please visit the Department for Work & Pensions (DWP) website: www.gov.uk/government/organisations/department-for-work-pensions

Can I retire early?

If you have at least three months total membership you can retire from office and receive payment of your benefits at any time from age 55 onwards. If you are aged 50 to 55 you may be able to retire from office and receive payment of your benefits immediately, but payment of benefits before age 55 is only possible with your council's consent. This is a council discretion and under the LGPS your council's policy about this must be included within their Policy Statement. Please note that if your council gives their consent to pay your benefits before age 55, this may result in a tax charge on your benefits.

Will my pension and lump sum be reduced if I retire early?

If you retire before age 65, your LGPS benefits, initially calculated as set out in 'The Benefits' section, will be reduced to take account of their early payment and the fact that your pension will be payable for longer. The reduction is calculated in accordance with guidance issued by the Government Actuary's Department (GAD). The reduction is based on the length of time (in years and days) that you retire early i.e. the period between the date your benefits are paid to age 65. The earlier you retire, the greater the reduction.

If you were contributing to the scheme on 30 September 2006 some or all of your benefits paid early could be protected from the reduction if you are a protected member under the 85-year rule. **For further information on the 85-year rule, please contact the Pension Section.**

Note that your council can agree not to make any reduction on compassionate grounds. This is a council discretion; you can ask your council what their policy is on this matter.

If you voluntarily retire before age 65 you do not have to receive immediate payment of your benefits and can defer them within the LGPS for payment at a later date as detailed on page 13.

What happens if I must retire early due to ill health?

If you have at least three months total membership and an administering authority approved independent registered medical practitioner certifies that you have become permanently unable (until your 65th birthday) to perform the duties of your office efficiently because of ill health or infirmity of mind or body, you will receive your pension and lump sum immediately. The medical practitioner must be qualified in occupational health medicine and must not have previously been involved in your case.

Ill health pensions and lump sums are calculated in the same way as detailed in the section 'The Benefits', except that the total membership used in the calculation will be increased if your total membership is five years or more.

The amount by which it will be increased is shown in the table below.

Total Membership Awarded	Total Membership after Increase
Less than 5 years	Actual total membership only
Between 5 and 10 years	Total membership doubled
Between 10 and 13 1/3 years	Total membership increased to 20 years
Over 13 1/3 years	Total membership increased by 6 2/3 years

Your increased membership, however, must not exceed the total membership you would have accrued had you continued in service until age 65. Your pension benefits will not be increased if you have previously been awarded an ill health pension under the Scheme.

If, at the date of retirement, the administering authority is satisfied that there is a life expectancy of less than a year, the pension may be commuted into a lump sum of five times the amount of pension given up.

What if I carry on working after age 65?

If you carry on in office after age 65 you will continue to pay into the scheme, building up further benefits. You can receive your pension when you retire, or when you reach the eve of your 75th birthday, whichever occurs first. If you draw your pension after age 65 the pension you have built up to age 65 will be increased to reflect the fact that it will be paid for a shorter time. Your pension must be paid before your 75th birthday.

The Benefits

How much will my pension be?

Your pension is based on your total membership and your career average pay. The example below shows how your pension is calculated by dividing your career average pay into 80ths and multiplying this figure by your total membership to give you your annual pension.

How much will my lump sum be?

The lump sum automatically paid on retirement is three times your annual pension and is tax-free. Like your pension, it is based on your career average pay and your total membership. The calculation for the lump sum is 3/80ths of your career average pay for every year of total membership. When you draw your benefits, you will be able to exchange some of your pension to receive a bigger tax-free lump sum.

Example pension and lump sum calculation:

On retirement at age 65, a Scheme member has 10 years & 204 days total membership and has a career average pay of £16,200.

The annual pension is therefore:

$$1/80 \times £16,200 \times 10 \text{ years } 204/365 \text{ days} = \mathbf{£2,138.18}$$

The tax-free lump sum automatically paid is therefore:

$$3/80 \times £16,200 \times 10 \text{ years } 204/365 \text{ days} = \mathbf{£6,414.53}$$

Career average pay

This is the pay for each year or part year ending 31 March adjusted (other than the final years pay) by the change in the appropriate cost of living index between the end of the relevant year and the last day of the month in which your active membership of the Scheme ends. The aggregate of each years re-valued pay is then divided by the total number of years and part years to arrive at the career average pay. This is then used to calculate your pension benefits.

Will my pension be revalued?

After age 55, members' pensions in payment will be revalued each year in line with the appropriate cost of living index. If you retire before age 55, the accumulated effect of inflation since you retired will be added to your pension when you reach age 55. Ill health pensions are revalued each year with the appropriate cost of living index regardless of age.

Can I give up some of my pension to increase my lump sum?

You will be able to exchange some of your pension for a bigger tax-free lump sum. You will be able to take up to a maximum of 25% of the capital value of your pension benefits as a

tax-free lump sum (providing the lump sum does not exceed £268,275 (figure until April 2026) less the value of any pension rights you have in payment).

Any amount you take as a lump sum above the automatic lump sum would be achieved by exchanging part of your annual pension for a one-off tax-free cash payment – for each £1 annual pension given up you will receive £12 lump sum.

An option to take extra lump sum must be made in writing before your benefits are paid. So that you have plenty of time to make up your mind and seek financial advice if you wish, it is important you contact the Pension Section well in advance of your intended retirement date so they can provide you with more details.

Your pension will be reduced in accordance with any election you make to receive extra lump sum. Any subsequent spouse's, civil partner's and children's long-term pensions will not be affected if you decide to exchange part of your pension for extra lump sum.

Taking my AVC fund as cash

If you pay additional voluntary contributions (AVCs) via the LGPS you may elect to take up to 100% of the accumulated fund in your AVC account as a tax free lump sum if you draw it at the same time as your LGPS pension benefits, provided when added to the LGPS lump sum it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund).

For further information regarding your options, please contact the Pension Section.

How will my pension be paid?

Monthly pension payments will be made direct into your bank or building society account. Similar arrangements can also be made to pay your pension into your account should you move abroad. Further information regarding payment of pensions is provided on your retirement.

What if I become re-employed?

If, after retiring, you return to employment or office within Local Government or employment with another organisation that participates in the LGPS, your pension may be reduced or suspended in accordance with the policy adopted by your administering authority. Under the LGPS, this is an administering authority discretion and their policy must have been published. Further details will be provided on request.

Protection for my Family

What benefits will be paid if I die in service?

If you die in service as a member of the LGPS, subject to the qualifying conditions detailed, the benefits shown below are payable.

- A lump sum death grant of two times your career average pay is payable no matter how long you have been a member of the LGPS, provided you are under age 75 at the date of death.
- A spouse or civil partner's short-term pension payable for three months following your death (or six months if one or more eligible dependent children are in the spouse or civil partner's care) at an annual rate equal to your career average pay. If you die in service having built up three months total membership, your spouse or civil partner will also receive a long-term pension, which commences when the short-term pension ends. The long-term pension is generally half the pension you would have received if you had retired early due to ill health on the date of death.
- Pensions for eligible children. For further information, please contact the Pension Section.

What benefits will be paid if I die after retiring on pension?

If you die after retiring on pension, the benefits shown below may then be payable. Your spouse, civil partner, next-of-kin or person dealing with your Estate must immediately inform the Pension Section of your date of death as otherwise an overpayment could occur.

- A lump sum death grant will be payable if the death occurs in the first five years on pension and you are under age 75 at the date of death. The sum payable will be five times your annual pension reduced by the pension already paid to you up to the date of death.
- A spouse or civil partner's short-term pension will be payable for the three months following your death, (or six months if one or more eligible dependent children are in the care of the spouse or civil partner). This will be equal to the pension you were receiving or would have received but for a reduction because of early retirement or had it not been paid as a lump sum due to exceptional ill health.
- After that the spouse or civil partner will receive a long-term pension generally equal to half the pension you were receiving or would have received but for a reduction as a result of early retirement or as a result of an exchange of pension for an increased lump sum, or had it not been paid as a lump sum due to exceptional ill health.
- Pensions for eligible children. For further information, please contact the Pension Section.

If you married after retirement and you had retired on the grounds of permanent ill health, the spouse's pension will only be based on half of your basic pension i.e. excluding any

enhancement to your pension on account of ill health retirement. If you entered a civil partnership after retirement, the civil partner's pension will be half your pension.

The LGPS allows you to say who you would like any death grant to be paid to by completing an Expression of Wish form. This form is available from the Pensions Section. The Scheme's administering authority, however, retains absolute discretion when deciding who to pay any death grant to.

You can find out how to contact the Pensions Section at the end of this Guide.

Note that spouses', civil partners' and children's pensions are revalued each year in line with the appropriate cost of living index regardless of age.

Spouse's and civil partner's pensions are payable for life, even if your spouse or civil partner remarries, enters a new civil partnership, or cohabits.

Ceasing to be a Councillor before Retirement

Can I opt-out of the LGPS?

You can leave the LGPS at any time by giving your council notice in writing. An election to opt-out becomes effective from the end of the payment period during which you gave notification unless your notification specifies a later date. You are recommended to obtain advice before opting out.

Refund of Contributions

If you leave with less than three months total membership, you may take a refund of your contributions less a deduction for tax and the cost, if any, of buying you back into the State Second Pension Scheme (S2P). Or, you have the option to defer making a decision until you either re-join the same LGPS Fund as a Councillor member (in Wales), or join a new pension scheme, or want to take a refund of contributions.

Note that a refund of contributions cannot be paid if you already have a deferred benefit in the LGPS in England or Wales.

Deferred Benefits

If you have at least three months total membership, you will be entitled to leave your accrued benefits in the LGPS. Your pension and lump sum will be calculated as described in the section **The Benefits** using the length of your total membership up to the date that you left the Scheme. This is known as having deferred benefits.

Deferred benefits become payable at age 65 (unless you opt to defer payment beyond that age), however they may be put into payment at any age earlier than 65 in the event of ill health, without reduction.

You can, if you wish, elect to receive your benefits early, on or after age 50 and before age 55 with your council's consent, or at or after age 55, without your council's consent. Benefits being paid before age 65 (unless being paid on the grounds of permanent ill health) may be reduced to take account of early payment and the fact that your pension will be paid for longer.

What if I die before receiving my deferred benefits?

Should you die while your benefits are deferred, your retirement lump sum will be paid as a death grant. The LGPS allows you to say who you would like any death grant to be paid to by completing an Expression of Wish form. This form is available from the Pensions Section. The Scheme's administering authority, however, retains absolute discretion when deciding to whom to pay any death grant.

A spouse's (either from a same or opposite sex marriage) or civil partner's long-term pension will also become payable. The spouse's or civil partner's pension is payable at the rate of one-half of your deferred pension.

Long-term children's pensions will also be payable for so long as children remain eligible following your death.

Can I re-join the LGPS at a later date?

If you opt-out once, you can re-join the LGPS at any time whilst you remain an eligible councillor. If you opt-out of the LGPS more than once, unless you elect to re-join the Scheme within three months of commencing as an eligible councillor with a new Welsh council, you will only be allowed to re-join at the discretion of your council. You can ask your council what their policy is on this matter.

Transferring my Benefits

If you leave the scheme more than one year before age 65, you may transfer the cash equivalent value of your pension benefits into another occupational pension scheme (provided they are willing and able to accept it), into a personal pension plan, into a 'buy-out' insurance policy or into a stakeholder pension scheme.

(You cannot transfer into the LGPS in England or Wales unless you participate again in the same LGPS Fund as a Councillor Member).

The method of calculating the cash equivalent value of your pension rights complies with requirements of the Pensions Schemes Act 1993 and any value quoted is guaranteed for three months.

If you are considering whether to transfer benefits, make sure you have full information about the two pension arrangements, in order to compare the Schemes i.e. details of what your benefits are worth in the LGPS and details of what your benefits would be worth in the new pension scheme, if transferred. When you compare your options, don't forget that your LGPS benefits are guaranteed cost of living increases. However, transferring your pension rights is not always an easy decision to make and you may, therefore, wish to seek the help of an independent financial adviser before you make a decision to transfer your deferred benefits to a personal pension plan, stakeholder pension scheme, buy-out insurance policy or to an employer's money purchase scheme, as you will be bearing all of the investment risk which could significantly affect your future pension benefits.

Note that you must take appropriate independent financial advice before transferring from the LGPS (where benefits are termed 'safeguarded benefits') to an arrangement which is termed as offering 'flexible benefits' (i.e., those benefits which are part of a defined contribution scheme which are flexible). This is a legal requirement if the cash equivalent transfer value of all your benefits in the LGPS (excluding any Additional Voluntary Contributions (AVCs)) is more than £30,000.

Help with Pension Problems

Who can help me if I have a query or complaint?

If you are in any doubt about your benefit entitlements or have a problem or question about your LGPS membership or benefits, please contact the Pension Section of your administering authority. They will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.

If you are still dissatisfied with any decision made in relation to the Scheme, you have the right to have your complaint reviewed under the Internal Disputes Resolution Procedure. There are also several other regulatory bodies that may be able to assist you. The various ways you can ask for help with a pension problem are:

Internal Dispute Resolution Procedure (IDRP)

In the first instance, you should write to the person nominated by the council that made the decision about which you wish to appeal. You must do this within six months of the date of the notification of the decision or the act or omission about which you are complaining (or such longer period that the nominated person considers reasonable).

The nominated person will consider your complaint and notify you of his / her decision. If you are still dissatisfied with that person's decision (or their failure to make a decision), you may, within six months of the date of the decision apply to the administering authority to have the decision reconsidered.

To avoid any unnecessary effort on your behalf, we would welcome the opportunity to attempt to resolve with you the matter with which you are dissatisfied before you resort to a formal complaint.

MoneyHelper

If you have general requests for information or guidance concerning your pension arrangements contact:

Address: Money and Pensions Service, 120 Holborn, London, EC1N 2TD

Tel: 0800 011 3797

Website: <https://www.moneyhelper.org.uk/en/pensions-and-retirement?source=tpas>

The Pensions Ombudsman (TPO)

You have the right to refer your complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within **three years** of when the event(s) you are complaining about happened – or, if later, within **three years** of when you first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

Address: 10 South Colonnade, Canary Wharf, London, E14 4PU

Tel: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

The Pensions Regulator (TPR)

This is the regulator of work-based pension schemes. The Pensions Regulator has powers to protect members of work-based pension schemes and a wide range of powers to help put matters right, where needed. In extreme cases, the regulator can fine trustees or employers, and remove trustees from a scheme.

You can contact The Pensions Regulator at:

Address: Napier House, Trafalgar Place, Brighton, BN1 4DW

Telephone: 0345 6000 707

Website: www.thepensionsregulator.gov.uk/en

How can I trace my pension rights?

The Pension Tracing Service holds details of pension schemes, including the LGPS, together with relevant contact addresses.

It provides a tracing service for ex-members of schemes with pension entitlements (and their survivors), who have lost touch with previous schemes. All occupational and personal pension schemes must register if the pension scheme has current members contributing to the scheme or people expecting benefits from the scheme.

If you need to use this tracing service, please write to:

Address: The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU

Telephone: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

Don't forget to keep your pension providers up to date with any change in your home address.

Further Information and Disclaimer

The information in this booklet is based on the LGPS Regulations 1997 and other relevant legislation. The booklet is for Councillors in Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication in **April 2022**. The Government may make changes to overriding legislation and, after consultation with interested parties, may make changes in the future to the LGPS.

This short guide cannot cover every personal circumstance and does not cover rights that apply to a limited number of employees e.g. those whose total pension benefits exceed the Lifetime Allowance (£1,073,100 until April 2026) or whose pension benefits increase in any tax year by more than the Annual Allowance (£40,000 from April 2014), or those who are subject to a special annual allowance tax charge, those to whom protected rights apply, or those whose rights are subject to a Pension Sharing Order following divorce or dissolution of a civil partnership.

Please note that if your pension benefits are subject to a Pension Sharing Order issued by the Court following a divorce or dissolution of a civil partnership, your benefits will be reduced in accordance with the Court Order or agreement.

In the event of any dispute over your pension benefits the appropriate legislation will prevail. This short guide does not confer any contractual or statutory rights and is provided for information purposes only.

Flintshire County Council is the administrative authority of the Clwyd Pension Fund and we use your personal data in accordance with Data Protection legislation to provide you with a pension administration service. For more information about how we use your data, who we share it with and what rights you have in relation to your information, please visit the privacy notice on the Pension Fund website:

<https://mss.clwydpensionfund.org.uk/home/privacy-notice/>

More detailed information about the LGPS is available from:

Website: <https://mss.clwydpensionfund.org.uk/>

Email: pensions@flintshire.gov.uk

Tel No: 01352 702950

Address: Clwyd Pension Fund, County Hall, Mold, Flintshire, CH7 6NA