

Some Terms We Use

Additional Voluntary Contributions (AVCs)

These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover.

All local government pension funds have an AVC arrangement in which you can invest money through an AVC provider, often an insurance company or building society. AVCs are deducted directly from your pay and attract tax relief.

Admission Body

An **admission body** is an employer that chooses to participate in the scheme under an admission agreement. These tend to be employers such as charities and contractors.

Assumed Pensionable Pay

This provides a notional **pensionable pay** figure to ensure your pension is not affected by any reduction in **pensionable pay** due to a period of sickness or injury on reduced contractual pay or no pay, or **relevant child related leave** or **reserve forces service leave**.

If you have a period of reduced contractual or no pay due to sickness or injury or you have a period of **relevant child related leave** or **reserve forces service leave** then your employer needs to provide the pension fund with the **assumed pensionable pay** you would have received during that time. This requires a calculation to be carried out by your employer to determine what your pay would have been for the period when you were on reduced contractual pay or no pay due to sickness or the period of **relevant child related leave** or **reserve forces service leave**.

The **assumed pensionable pay** is calculated as the average of the **pensionable pay** you received for the 12 weeks (or 3 months if monthly paid) before the period of reduced pay or no pay for sickness or injury or before the start of the **relevant child related leave** or **reserve forces service leave**. This figure is then grossed up to an annual figure and then divided by the period of time you were on reduced pay or no pay for sickness or injury or on **relevant child related leave** or **reserve forces service leave**.

Automatic enrolment date

This is the earlier of:

- the day you reach age 22 provided you are earning more than £10,000 a year in the job, or
- the beginning of the pay period in which you first earn more than £10,000 in the job, on an annualised basis, provided you are aged 22 or more and under **State Pension Age** at that time.

Club transfer rules

Club transfer rules allow certain final salary **occupational pension schemes**, mainly **public service pension schemes**, to calculate transfers on a special terms. Transfers including final salary membership into the LGPS from other public sector club transfer schemes (usually membership up to 31 March 2015) or transfers out of the LGPS to other public sector club schemes (membership built up before 1 April 2014) provide benefits that are broadly equivalent across both schemes. The membership transferred would purchase a period of membership and retain a final salary link where there is a continuous break in active membership of a **public service pension scheme** of 5 years or less. LPP will provide you with further information on club transfers should this apply to you.

Civil Partnership

A **Civil Partnership** is a relationship between two people of the same sex (civil partners) which is formed when they register as civil partners of each other.

Contracted out

The LGPS was **contracted out** of the **State Earning Related Pension Scheme (SERPS)** and is **contracted out** of the **State Second Pension (S2P)**. This means that, prior to **State Pension Age**, you pay reduced National Insurance contributions between the **Lower Earnings Limit** and the **Upper Accruals Point** (unless you have opted to pay the married woman's/widow's reduced rate of National Insurance). The LGPS guarantees to pay you a **Guaranteed Minimum Pension (GMP)** for being **contracted out** of the **State Earning Related Pension Scheme (SERPS)** and, for membership after 5 April 1997, the LGPS must meet a minimum Reference Scheme test prescribed under the Pensions Act 1995.

From April 2016 the Government plans to remove the reduction in National Insurance contributions for all **contracted out** pension schemes, but full details on how this will work have yet to be finalised.

Consumer Prices Index (CPI)

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.

Designating Body

Designating bodies are bodies which can designate employees for access to the scheme. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, federated schools, technical institutes, Transport for London, and the Children and Family Court Advisory and Support Service, among others, can be designated for membership of the scheme.

Discretion

This is the power given by the LGPS to enable your employer or LPP to choose how they will apply the scheme in respect of certain provisions. Under the LGPS your employer or LPP are obliged to consider how to exercise their **discretion** and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their **discretion**. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review. You may ask your employer or your administering authority what their policy is in relation to a **discretion**.

Eligible children

Eligible children are your children. They must, at the date of your death:

- be your natural child (who must be born within 12 months of your death), or
- be your adopted child, or
- be your step-child or a child accepted by you as being a member of your family (this doesn't include a child you sponsor for charity) and be dependent on you.

Eligible children must meet the following conditions:

- be under age 18, or
- be aged 18 or over and under 23 and in full-time education or vocational training (although your administering authority can continue to treat the child as an eligible child notwithstanding a break in full-time education or vocational training), or
- be unable to engage in gainful employment because of physical or mental impairment and either:
 - has not reached the age of 23, or
 - the impairment is, in the opinion of an independent registered medical practitioner, likely to be permanent and the child was dependent on you at the date of your death because of that mental or physical impairment.

Eligible cohabiting partner

An **eligible cohabiting partner** is a partner you are living with who, at the date of your death, has met all of the following conditions for a continuous period of at least 2 years:

- you and your cohabiting partner are, and have been, free to marry each other or enter into a **civil partnership** with each other, and
- you and your cohabiting partner have been living together as if you were husband and wife, or **civil partners**, and
- neither you or your cohabiting partner have been living with someone else as if you/they were husband and wife or **civil partners**, and
- either your cohabiting partner is, and has been, financially dependent on you or you are, and have been, financially interdependent on each other.

Your partner is financially dependent on you if you have the highest income. Financially interdependent means that you rely on your joint finances to support your standard of living. It doesn't mean that you need to be contributing equally. For example, if your partner's income is a lot more than yours, he or she may pay the mortgage and most of the bills, and you may pay for the weekly shopping.

On your death, a survivor's pension would be paid to your cohabiting partner if:

- all of the above criteria apply at the date of your death, and

- your cohabiting partner satisfies your LPP that the above conditions had been met for a continuous period of at least 2 years immediately prior to your death.

You are not required to complete a form to nominate a cohabiting partner for entitlement to a cohabiting partner's pension. However, you can provide your Pension Fund administrator/the Fund/the Pensions section with your cohabiting partner's details. Your Pension Fund administrator/the Fund/the Pensions section will require evidence upon your death to check that the conditions for a cohabiting partner's pension are met.

Eligible Jobholder

An **eligible jobholder** is a worker who is aged at least 22 and under **State Pension Age** and who earns more than the annual amount of £10,000.

Final pay

This is usually the pay in respect of your final year of scheme membership on which you paid contributions, or one of the previous 2 years if this is higher, and includes your normal pay, contractual shift allowance, bonus, contractual overtime (but not non-contractual overtime), Maternity Pay, Paternity Pay, Adoption Pay, and any other taxable benefit specified in your contract as being pensionable.

If you were part-time for all or part of the final year the whole-time pay that you would have received if you had worked whole-time is used and if your pay in your final year was reduced because of sickness or **relevant child related leave**, **final pay** is the pay you would have received had you not been on sick leave or **relevant child related leave**.

For more information on the calculation of **final pay** please see the section **If you Joined the LGPS Before 1 April 2014**.

Guaranteed Minimum Pension (GMP)

The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been **contracted out** of the **State Earning Related Pension Scheme (SERPS)** at any time between 6 April 1978 and 5 April 1997. This is called the **Guaranteed Minimum Pension (GMP)**.

Local Government

The term **local government** in this booklet also covers police and fire civilian staff, the Mayor of London and members of the London Assembly, a coroner, employees of a National Probation Service local board or Probation Trust, a Mayoral development corporation, a conservation board, a valuation tribunal, a passenger transport authority, the Environment Agency, , and non-teaching employees of an Academy employer, an Education Action Forum, a sixth form college corporation or a Further or Higher Education Corporation.

Lower Earnings Limit

This is the amount of pay that you can receive before you pay any National Insurance contributions. The **Lower Earnings Limit** for 2014/2015 is £111 per week. It is usually increased annually by Parliament.

Normal Pension Age

Normal Pension Age is linked to your **State Pension Age** for benefits built up from April 2014 (but with a minimum of age 65) and is the age at which you can take the pension you have built up in full. If you choose to take your pension before your **Normal Pension Age** it will normally be reduced, as it's being paid earlier. If you take it later than your **Normal Pension Age** it's increased because it's being paid later.

You can use the Government's **State Pension Age** calculator (www.gov.uk/calculate-state-pension) to find out your **State Pension Age**. Please note that this calculator does not include proposed changes to **State Pension Age**.

Remember that your **State Pension Age** may change in the future and this would also change your **Normal Pension Age** in the LGPS for benefits built up from April 2014. Once you start drawing your pension any subsequent change to your **State Pension Age** will not affect your **Normal Pension Age** in the LGPS.

If you were paying into the LGPS before 1 April 2014 your final salary benefits retain their protected **Normal Pension Age** - which for most is age 65. However all pension benefits drawn on normal retirement must be taken at the same date i.e. you cannot separately draw your final salary benefits (built up before April 2014) at age 65 and your benefits in your **pension account** (built up from April 2014) at your **Normal Pension Age** (which for your benefits built up from April 2014 is linked to your **State Pension Age**). See the section **Your LGPS Retirement Benefits**.

Occupational pension scheme

These schemes are also called company pension schemes. It's a scheme set up by an employer to provide pension or death benefits for its employees. An occupational pension can provide pension benefits on a money purchase, defined benefits, cash balance or hybrid arrangement basis. The two most common arrangements for occupational schemes are defined benefits (such as the LGPS) and money purchase. If you leave a job you'll normally have to stop building up pension savings in that employer's scheme. These benefits can be transferred to your pension in the LGPS. Any transfer into the LGPS would buy extra pension which is then added to your **pension account** (unless you joined the LGPS before 1 April 2014 and the relevant date used for the transfer is before 1 April 2014, in which case the transfer would buy extra membership in the **final salary** scheme).

Pension Account

Each **scheme year** the amount of pension you have built up during the year is worked out and this amount is added into your active **pension account**. Adjustments may be made to your account during the **scheme year** to take account of any transfer of pension rights into the account during the year or which is granted to you by your employer, any additional pension you may have decided to purchase during the year, any reduction due to a Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a **civil partnership**) and any reduction due to an Annual Allowance tax charge that you have asked the scheme to pay on your behalf. Your account is then revalued to take account of the cost of living. This adjustment is carried out in line with the Treasury Revaluation Order index which, currently, is the rate of the **Consumer Prices Index (CPI)**.

You will have a separate **pension account** for each employment. That **pension account** will hold the entire pension built-up for that employment.

In addition to an active member's **pension account** there are also:

- a deferred member's **pension account**;
- a deferred refund account;
- a retirement **pension account**;
- a flexible retirement **pension account**;
- a deferred pensioner member's account;
- a pension credit account; and
- a survivor member's account.

These accounts will be adjusted by any debits for any Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a **civil partnership**) and for any Annual Allowance tax charge that you have asked the scheme to pay on your behalf.

Pensionable Pay

The pay on which you normally pay contributions is your normal salary or wages plus any shift allowance, bonuses, overtime (both contractual and non-contractual), Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, pay relating to loss of future pensionable payments or benefits, any pay paid by your employer if you go on **reserve forces service leave** nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

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.

Relevant Child Related Leave

Relevant child related leave includes periods of Ordinary Maternity, Adoption or Paternity Leave (normally first 26 weeks) and any periods of paid Additional Maternity, Adoption or Paternity Leave (normally after week 26 weeks up week 39).

Reserve Forces Service Leave

This occurs when a Reservist is mobilised and called upon to take part in military operations. The period of mobilisation can range from three months or less and up to a maximum of 12 months. During a period of **reserve forces service leave** you will

continue to build up a pension based on the rate of **assumed pensionable pay** you would have received had you not been on **reserve forces service leave**.

SERPS (State Earnings Related Pension Scheme)

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically **contracted out** of **SERPS**, and most paid lower national insurance contributions as a result. **SERPS** was replaced by the **State Second Pension (S2P)** from 6 April 2002.

Scheme Year

The **scheme year** runs from 1 April to 31 March each year.

State Pension Age

This is the earliest age you can receive the state basic pension. **State Pension Age** is currently age 65 for men. **State Pension Age** for women is currently being increased to be equalised with that for men and will reach 65 by November 2018.

State Pension Age equalisation timetable for women

Date of Birth	New State Pension Age
Before 6 April 1950	60
6 April 1950 - 5 April 1951	In the range 60 - 61
6 April 1951 - 5 April 1952	In the range 61 - 62
6 April 1952 - 5 April 1953	In the range 62 - 63
6 April 1953 - 5 August 1953	In the range 63 - 64
6 August 1953 - 5 December 1953	In the range 64 - 65

The **State Pension Age** will then increase to 66 for both men and women from December 2018 to October 2020.

Increase in State Pension Age from 65 to 66 for men and women

Date of Birth	New State Pension Age
6 December 1953 - 5 October 1954	In the range 65 - 66
After 5 October 1954	66

Under current legislation the **State Pension Age** is due to rise to 67 between 2034 and 2036 and to 68 between 2044 and 2046. However, the government has announced plans to revise the legislation so that the date when the **State Pension Age** rises to 67 is between 2026 and 2028 and that rises above age 67 will be linked to increases in life expectancy. To find out your **State Pension Age** please visit <https://www.gov.uk/calculate-state-pension>.

State Second Pension (S2P)

The **State Second Pension** (formerly **SERPS**) is the additional state pension, payable from **State Pension Age** by the Department for Work and Pensions. Initially, S2P was an earnings-related pension but from April 2009 it began building up as a flat rate pension.

LGPS members are **contracted out** of S2P and most pay lower national insurance contributions as a result. More information on the **State Second Pension (S2P)** is available from the DWP Pensions Service.

Upper Accruals Point

This is the amount of pay beyond which you cease to pay the, lower, contracted-out rate of National Insurance contributions. The **Upper Accruals Point** for 2014/2015 is £770 per week. On earnings above the **Upper Accruals Point** and up to the Upper Earnings Limit of £805 per week you pay the full 12% National Insurance contribution and on earnings above the Upper Earnings Limit you pay a 2% National Insurance contribution.

Vesting Period

The **vesting period** in the LGPS is 2 years. You will meet the 2 years **vesting period** if:

- you have been a member of the LGPS in England and Wales for 2 years, or
- you have brought a transfer of pension rights into the LGPS in England or Wales from a different **occupational pension scheme** or from a European pensions institution and the length of service you had in that scheme or institution was 2 or more years or, when added to the period of time you have been a member of the LGPS is, in aggregate, 2 or more years, or
- you have brought a transfer of pension rights into the LGPS in England or Wales from a pension scheme or arrangement where you were not allowed to receive a refund of contributions, or
- you have previously transferred pension rights out of the LGPS in England or Wales to a pension scheme abroad (i.e. to a qualifying recognised overseas pension scheme), or
- you already hold a deferred benefit or are receiving a pension from the LGPS in England or Wales (other than a survivor's pension or pension credit member's pension), or
- you have paid National Insurance contributions whilst a member of the LGPS and cease to contribute to the LGPS in the tax year of attaining pension age,
- you cease to contribute to the LGPS at age 75, or
- you die in service.