

Local Government Pension Scheme
Cash equivalent Transfer Value (CETV) of your Pension Rights in the LGPS
Question and Answer

Introduction

The information contained in this question and answer leaflet only applies to you if you are more than 12 months away from your **Normal Pension Age (NPA)** and you are considering transferring your pension benefits from the Local Government Pension Scheme (LGPS) to another pension scheme.

NPA is age 65 or the member's individual State Pension Age (SPA) whichever is the later. If you are unsure what your SPA is, you can use the Government's State Pension Age calculator at:

<https://www.gov.uk/calculate-state-pension>

To be entitled to a transfer of your LGPS benefits you must have been a member for more than 3 months.

Background

The LGPS regulations have for many years permitted a transfer of pension rights to other pension schemes as long as those schemes have been approved by Her Majesty Revenue & Customs (HMRC); approved pension schemes may also be known as registered pension schemes. Where a member requests a transfer of benefits the cash equivalent transfer value (CETV), which is the capitalised value of their pension benefit, is paid to the new pension scheme thereby cancelling the members LGPS benefit.

What has changed?

New legislation has been introduced from 6 April 2015. This new legislation gives members of UK pension schemes which offer Defined Contribution (DC) benefits, increased flexibility over how they take their pension from age 55. Prior to the change, members of these schemes were obliged to use some of their pension savings to buy an annuity (annual pension). The increased flexibility introduced by this legislation means that the individual can now take the whole of their pension saving as a cash lump sum in one go or at different stages. Only 25% of the cash taken though will be tax free.

How does this change affect members of the LGPS?

The Local Government Pension Scheme (LGPS) **is not a DC Scheme** it is a Defined Benefit (DB) Scheme so these new flexibilities cannot directly apply to members of the LGPS. To take advantage of these new flexibilities you will need to first transfer your pension benefits to a different pension arrangement offering the new flexible benefits.

Members entitled to an immediate payment of their pension benefits because they are being awarded an ill health retirement benefit or are age 55 or more and for example are being made redundant with an immediate entitlement to their pension benefit, cannot transfer their pension benefits.

Can I transfer my main LGPS even though I am contributing to the LGPS?

No. You may only transfer your main LGPS benefits if you are no longer contributing member of the LGPS. If you are contributing to the LGPS you must first complete an opt-out form and cease membership of the LGPS.

If you have re-joined LGPS and have a separate deferred Benefit the same rule applies, you cannot transfer the deferred benefit whilst you are contributing to the LGPS.

Can I transfer a deferred benefit that I have, if I am already in a receipt of a LGPS pension relating to a separate employment?

No it is not possible to transfer any of your LGPS pension benefits.

Do I have to take advice if I am transferring my LGPS benefits to another pension scheme that offers the new flexible benefits?

If you decide to transfer your pension rights from LGPS to another pension arrangement with a view to acquiring a right or entitlement to one of the new flexible benefit arrangements, you may be required to take **independent financial advice**.

Independent Financial Advice is required if the transfer value of the main scheme benefits is more than £30,000. The cost of obtaining the financial advice has to be paid for by you, the member. Please note that if you have more than one LGPS benefit in the same fund or other LGPS funds these benefits would count when assessing whether independent financial advice must be taken. Before a transfer value can be paid by the fund to an alternative scheme you will have to provide the Pension Fund with a signed statement from your financial advisor.

Where the transfer value is less than £30,000 although not required it is recommended that you seek financial advice before deciding to transfer your LGPS pension benefits.

How can I find an Independent Financial Adviser?

An authorised independent adviser can be located by accessing one of the following websites:

FSA register – <https://register.fca.org.uk/>

Personal Finance Society website – www.thepfs.org

The Association of Professional Financial - www.apfa.net

Your local Citizens' Advice Bureau may also be able to tell you about Pension Wise and book a face-to-face appointment – www.citizenadvice.org.uk

Can a member just transfer an AVC plan and leave the main scheme benefit with LGPS?

Yes, an AVC plan can be transferred independently of a member's main scheme benefits as long as it is before age 75. There is no requirement to take independent advice if the plan value is worth more than £30,000, nor is the value of your plan included in the assessment of your LGPS benefits to decide whether you are required to take financial advice.

Do I have to take advice if I am transferring my LGPS benefits to another pension scheme if that scheme does not offer the new flexible benefits?

When considering whether to transfer benefits, you must make sure that you have full information about the two pension arrangements, 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, do not forget that your LGPS benefits are guaranteed cost of living increases.

Any decisions about your pension are an important financial decision. We always advise that you seek independent financial advice before making important financial decisions.

The site <http://www.unbiased.co.uk/questions-ask-ifa> has some useful questions to ask an advisor before employing them.

The Consumer Financial Education Body was established by the Financial Services Authority and their website, www.moneymadeclear.org.uk, has information on a wide range of topics, including getting financial advice. They can also be contacted by telephone on **0300 500 5000**.

Why do I have to be aware of Pension Liberation Fraud and what is it?

Companies are singling out those with pension savings and claiming they can help cash in a pension early. This is known as 'Pension Liberation Fraud'. Agreeing to this could lead to a tax bill for the saver of more than half of the pension savings. The Pensions Regulator has produced a leaflet giving more information is attached. An electronic version can be found on our website:

<http://pensions.cambridgeshire.gov.uk/index.php/deferred-members/transferring-from-the-lgps/>
http://pensions.northamptonshire.gov.uk/index.php/forms_deferred-members/transferring-from-the-lgps/