

LOCAL
GOVERNMENT
PENSION
SCHEME
REGULATIONS
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Employees Scheme Guide - 7

LIFE COVER -
PROTECTION
FOR YOUR
FAMILY



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Life cover - protection for your family

The LGPS provides valuable life cover and financial protection for your family.

In this leaflet we look at how these benefits work if you pay into the LGPS on or after 1 April 2008.

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the end of this leaflet.

What benefits will be paid if I die in service?

If you die in service as a member of the LGPS, the benefits shown below are payable.

A lump sum death grant of three times your final year's pay is paid no matter how long you have been a member of the LGPS, provided you are under age 75 at the date of death. For part-time employees, it is three times your actual part-time pay.

A survivor's pension. An ongoing pension is provided for your husband, wife, registered ***civil partner*** or, subject to certain qualifying conditions, your nominated co-habiting partner. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

- **For your husband, wife or *civil partner*:** the pension payable is equal to 1/160th of your final pay times the *membership you would have built up to age 65*.
- **For your nominated co-habiting partner:** the pension payable is calculated in the same way, although only your membership from 6 April 1988 is used in the calculation plus any of your membership before 6 April 1988 for which you have opted to pay additional contributions so that it counts towards a nominated co-habiting partner's pension.

To nominate a co-habiting partner for a survivor's pension your relationship has to meet certain conditions laid down by the LGPS. You can find information on these conditions and how to make a nomination in **What are the conditions** which you'll find later in this leaflet.

Children's pensions - these are payable to ***eligible children*** and increase every year in line with the cost of living.

The amount of pension depends on the number of ***eligible children*** you have:

- **If a survivor's pension is being paid** to your husband, wife, ***civil partner*** or nominated co-habiting partner, one child would receive 1/320th of your final pay times the *membership you would have built up to age 65*, while two or more children would receive 1/160th shared equally between them.
- **If there is no husband's, wife's, *civil partner's* or nominated co-habiting partner's pension being paid,** one child would receive 1/240th of your final pay times the *membership you would have built up to age 65*, while two or more children would receive 1/120th shared equally between them.

In determining survivor's and children's pensions for part-time employees who die in service, the *membership you would have built up to age 65* is calculated on the assumption you would have remained part-time through to then.

For part-time employees who die in service and have reduced their contractual hours as a result of a condition or illness that, in the opinion of an independent occupational

health physician, subsequently results in their death, then such a reduction in their hours is disregarded both in calculating the pay to be used for the lump sum death grant and in calculating the membership for any survivor's and children's pension payable.

You should also read the leaflet on **Your LGPS Retirement Benefits** to find out how membership counts and how final pay is worked out for the calculation of LGPS benefits.

If you have taken flexible retirement and die in service as a contributing member of the LGPS, death in service benefits will be paid together with benefits in respect of that part of your pension that you are already drawing. You can find information on **What benefits will be paid if I die after retiring on pension?** later in this leaflet.

If you die in service and you are paying additional contributions to:

- **buy extra LGPS pension** and you opted to pay for dependant's benefits when you took out your original contract, then extra benefits will be payable to your husband, wife, **civil partner** or nominated co-habiting partner and to **eligible children** as if you had completed all payments. If you did not opt to pay for dependant's benefits when you took out your original contract, then no extra benefits will be payable.
- **buy LGPS added years**, you will be credited on your death with the whole extra period of membership that you set out to buy, even if you have not completed full payment for it. This will increase the value of the benefits payable to your husband, wife, **civil partner** or nominated co-habiting partner and to **eligible children**. To buy added years you must have opted to do so before 1 April 2008.
- **buy extra nominated co-habiting partner survivor benefits**, then the whole of your pre 6 April 1988 membership that you were paying additional contributions for will be included in calculating any survivor pension payable to a nominated co-habiting partner, even if you have not completed full payment for it.

If you pay Additional Voluntary Contributions (AVCs) arranged through the LGPS (in-house AVCs), the value of your AVC fund is payable, as is any extra life cover or pension for your spouse, **civil partner** or nominated co-habiting partner and **eligible children** paid for through AVCs.

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

If you die after retiring on pension, your benefits will no longer be payable.

Your husband, wife, **civil partner**, co-habiting partner, next-of-kin or person dealing with your Estate must immediately inform the Pensions Section of your date of death as otherwise an overpayment could occur. Contact details can be found at the end of this leaflet.

The following benefits may then be payable on your death:

A lump sum death grant will be paid if you die and less than 10 years pension has been paid, and you are under age 75. The amount payable would be 10 times your annual pension reduced by any pension already paid to you (ignoring any reduction in your pension as a result of re-employment by an employer offering membership of the LGPS).

A survivor's pension. A pension will be paid to your husband, wife, registered **civil partner** or, subject to certain qualifying conditions, your nominated co-habiting

partner. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

- **For your husband or wife:** the pension payable is equal to 1/160th of your final pay times the membership your pension is based on, unless you marry after retirement in which case it could be less. If you marry after retiring:
 - your husband's pension is based on your membership after 5 April 1988, (excluding, unless you were married to your husband at some time whilst you paid into the LGPS, additional membership purchased by you or granted to you by your employer or the scheme),
 - your wife's pension is based on your **contracted-out** membership after 5 April 1978.
- **For your *civil partner*:** the pension payable is equal to 1/160th of your final pay times the membership your pension is based on.
- **For your nominated co-habiting partner:** the pension payable is equal to 1/160th of your final pay times your membership in the scheme after 5 April 1988, plus any of your membership before 6 April 1988 for which you have paid additional contributions so that it counts towards a nominated co-habiting partner's pension.

To nominate a co-habiting partner for a survivor's pension your relationship has to meet certain conditions laid down by the LGPS. Information on these conditions, and how to make a nomination are set out in **What are the conditions** which you'll find later in this leaflet.

Children's pensions - these are payable **to eligible children** and increase every year in line with the cost of living.

The amount of pension depends on the number of **eligible children** you have:

- **If a survivor's pension is being paid** to your husband, wife, **civil partner** or nominated co-habiting partner, one child would receive 1/320th of your final pay times the membership your pension is based on, while two or more children would receive 1/160th shared equally between them.
- **If there is no husband's, wife's, *civil partner's* or nominated co-habiting partner's pension being paid**, one child would receive 1/240th of your final pay times the membership your pension is based on, while two or more children would receive 1/120th shared equally between them.

If you paid additional contributions to buy extra benefits see the leaflet on **Increasing your Benefits** to find information on any extra survivor benefits that may be payable.

Who is the lump sum death grant paid to?

Your administering authority has absolute **discretion** over who receives any lump sum death grant; they can pay it to your nominee or personal representatives or to any person who appears, at any time, to have been your relative or dependant. The LGPS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning an expression of wish form. If any part of the death grant has not been paid within two years, it must be paid to your personal representatives, i.e. to your Estate. If you have not already made your wishes known, or you wish to update / change a previous expression of wish, an 'Expression of Wish for Death Grants' form is available for download on our website or alternatively you can

obtain a copy from the Pensions Section. Remember to complete a new form if your wishes change.

What are the conditions for a nominated co-habiting partner's survivor's pension?

To be able to nominate a co-habiting partner, of either opposite or same sex, to receive a survivor's pension on your death, all of the following conditions must apply to both you and your nominated co-habiting partner and each condition must have applied for a continuous period of at least 2 years on the date you both sign the nomination form:

- both you and your nominated co-habiting partner are, and have been, free to marry each other or enter into a **civil partnership** with each other, and
- you and your nominated co-habiting partner have been living together as if you were husband and wife, or **civil partners**, and
- neither you or your nominated co-habiting partner have been living with someone else as if you/they were husband and wife or **civil partners**, and
- either your nominated co-habiting 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.

You make a nomination by completing a nomination form, which is available for download on our website, or alternatively you can contact the Pensions Section to obtain a copy.

On your death, a survivor's pension would be paid to your nominated co-habiting partner if:

- the nomination has effect at the date of your death, and
- your nominated co-habiting partner satisfies your administering authority that the above conditions had also been met for a continuous period of at least 2 years immediately prior to your death.

And

- If your LGPS benefits are subject to a Pension Sharing Order issued by the Court following divorce or dissolution of a **civil partnership**, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or agreement. In consequence, if you remarry, enter into a new **civil partnership** or nominate a co-habiting partner to receive a survivor's pension, any spouse's pension, **civil partner's pension** or nominated co-habiting partner's pension payable following your death will also be reduced. Benefits payable to **eligible children** will not, however, be reduced because of a pension share.
- If your membership in the LGPS includes a **Guaranteed Minimum Pension (GMP)**, your wife's pension for that part of your membership prior to 6 April 1997 must not be less than half your **GMP**. Your husband or **civil partner's** pension for that part of your membership prior to 6 April 1997 must not be less than half your **GMP** built up after 5 April 1988.

- Your personal representatives will need to inform HM Revenue and Customs if, with the lump sum death grant, the value of all your pension benefits – but not including any spouse's, **civil partner's** or dependant's pensions - exceeds the HM Revenue and Customs lifetime allowance. Under HM Revenue and Customs rules, any excess will be subject to a recovery tax charge. Most scheme members' pension savings will be significantly less than the allowance. You can find more information on this from the leaflet on **Tax Controls and Your LGPS Benefits**.

More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact:

The Pensions Section,
Gloucestershire County Council,
Shire Hall
Westgate Street,
Gloucester, GL1 2TG.

Pension helpline phone number: 01452 426677

e-mail: pensions@gloucestershire.gov.uk

website: www.gloucestershire.gov.uk/pensions

The national web site for members of the LGPS can be found at www.lgps.org.uk

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the leaflet **Help with Pension Problems**.

Disclaimer

The information in this leaflet applies to individuals who were contributing members of the Local Government Pension Scheme on 1 April 2008 or who have since joined. This leaflet is for employees in England or Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication in October 2012. The Government may make changes to overriding legislation and, after consultation with interested parties, may make changes in the future to the LGPS. **Changes to the LGPS are planned for 2014**, for details see the national LGPS web site at www.lgps.org.uk

This leaflet is for general use and cannot cover every personal circumstance nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

Some terms we use

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.

Discretion

This is the power given by the LGPS to enable your employer or your administering authority to choose how they will apply the scheme in respect of certain provisions. Under the LGPS your employer or your administering authority 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. Your administering authority is Gloucestershire County Council.

Eligible children

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

- be under 18 and be wholly or mainly dependent on you, or
- be aged 18 or over and under 23, be dependent on you, and be in full-time education or undertaking vocational training (although a dependant child who commences full-time education or vocational training after the date of your death may be treated as an eligible child up to age 23), or
- in some cases, a dependent child of any age who is disabled may be classed as an eligible child.

In all cases, the children must have been born before or within a year of your death.

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).

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 2012/2013 is £107 per week. It is usually increased annually by Parliament.

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**.

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. The Government has announced that it will speed up the pace of State pension age equalisation for women, so that women's State pension age 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.

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, achieving full flat rate accrual by around 2030.

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 2012/2013 is £770 per week. On earnings above the Upper Accruals Point and up to the Upper Earnings Limit of £817 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.