Fife Council

Fife Pension Fund
Administered by Fife Council

Fife Pension Fund Councillor Member Brief Guide

www.fifepensionfund.org

A brief guide to the Local Government Pension Scheme (LGPS) for councillors in Scotland

Contents

Where pension terms are used in this guide, they appear in ***bold italic*** type. These terms are defined in the **Some terms we use** section.

Highlights of the LGPS

The LGPS gives you:

Secure benefits:
the Scheme provides you with a future income, independent of share prices and stock market fluctuations.

At a low cost to you:
with tax-efficient savings.

And your council pays in too:
the Scheme is provided by your council who meets the balance of the cost of providing your benefits in the LGPS.

You can look forward to your retirement in the LGPS with:

A secure pension:
worked out every ***Scheme year*** and added to your ***pension account***. The pension added to your account at the end of a ***Scheme year*** is a 49th of your ***pensionable pay*** in that year if you are in the main section. The total amount of pension in your account at the end of every ***Scheme year*** is adjusted in the following April to take into account the cost of living (measured by the ***Consumer Prices Index (CPI)***). The ***Scheme year*** runs from 1 April to 31 March.

Flexibility to pay more or less contributions:
You can boost your pension by paying more contributions, which you would get tax relief on. You also have the option to pay half your normal contributions in return for half your normal pension. This is known as the 50/50 section of the Scheme. The 50/50 section is designed to help members stay in the Scheme when times are financially tough.

Tax-free cash:
When you take your pension, you have the option to exchange part of it for some tax-free cash.

Peace of mind:
Your family enjoys financial security, with immediate life cover and a pension for your spouse, ***civil partner*** or ***eligible cohabiting partner*** and ***eligible children*** if you die

Pension terms in ***bold italic*** type are defined in the Some terms we use section.

in service. If you become seriously ill and you've met the two-year ***qualifying period***, you could receive immediate ill health benefits.

Freedom to choose when to take your pension:
You do not need to have reached your ***Normal Pension Age*** to take your pension. Once you've met the two year ***qualifying period***, you can choose to retire and take your pension at any time between age 55 and 75. Your ***Normal Pension Age*** is simply the age you can retire and take the pension you've 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.

The UK Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028. This does not apply if you have to take your pension early due to ill health. See 'planned increase to normal minimum pension age' for more information.

The Scheme

This guide briefly describes the membership conditions and main Scheme benefits that apply if you pay into the LGPS after 31 March 2015.

Any reference to the LGPS or the Scheme is a reference to the LGPS in Scotland.

You can find out more about the Scheme in the LGPS member videos: Pensions Made Simple. 'What is a Pension' and 'How your Pension Works' provide brief introductions to the scheme.

What kind of scheme is it?

The LGPS is a tax approved, defined benefit occupational pension scheme.

The LGPS was contracted out of the State Second Pension scheme (S2P) until 5 April 2016. From 6 April 2016, 'contracted out' status ended for all pension schemes due to the introduction of the single tier State Pension.

The Scheme was set up under the Public Service Pensions Act 2013 and, in the case of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014, under the Superannuation Act 1972.

The amount of pension you earn in a ***Scheme year*** is worked out each year and added to your ***pension account***. The total amount of pension in your account at the end of every ***Scheme year*** is revalued in the following April to take into account the cost of living (measured by the ***Consumer Prices Index (CPI)***).

The LGPS is very secure because the benefits are set out in law.

Who can join?

The Scheme is available to all councillors aged under 75 elected to a local authority in Scotland. This includes such councillors when exercising functions as a convenor or vice-convenor of a joint board.

If eligible, you will join automatically.

You can choose to leave by completing an opt-out form, which you can do once you have started in your office as a councillor.

Pension terms in ***bold italic*** type are defined in the Some terms we use section.

How will I know that I have joined the LGPS?

On joining, relevant records and a ***pension account*** will be set up and you will receive an official notification of your membership.

You should check your payslip to make sure that pension contributions are being deducted.

Can I opt out of the LGPS and re-join later?

Yes, you can opt out. If you are thinking of opting out, you might want to consider moving to the 50/50 section of the Scheme instead. In the 50/50 section, you pay half your normal contributions in return for half your normal pension build-up. To find out more, see the section on **Flexibility to pay less**.

If, having considered the 50/50 section, you still decide the LGPS is not for you, you can leave the LGPS at any time on or after your first day of holding office by completing an opt out form and returning it to your council. You might want to take independent financial advice before making the final decision to opt out.

If you opt out before completing three months' membership, you will be treated as never having been a member. Your council will refund to you, through your pay, any contributions you have paid.

If you opt out with three or more months' membership and before completing the two year ***qualifying period***, you can usually take a refund of your contributions (less an adjustment for tax) or transfer out your pension to another scheme.

If you opt out after meeting the two-year ***qualifying period***, you will have deferred benefits in the Scheme. You will generally have the same options as anyone leaving their job before retirement, except you cannot take payment unless you have left your office.

If you opt out, you can opt back in at any time before age 75, provided you are eligible to join the Scheme.

What do I pay?

You will pay contributions on ***pensionable pay*** at your contribution rate.

Your contribution rate depends on how much you are paid, but it's currently between 5.5% and 12%. There are five-tiers, with your contributions based on how much of your ***pensionable pay*** falls into each tier. When you join, and every April after, your council will decide your rate. If your terms and conditions as a councillor permanently change and this affects your pay during the year, your council may need to review your rate. If you elect for the 50/50 section, you pay half the rates listed in the table below.

Here are the tiers that apply from April 2025.

Table 1: Contribution bands for 2025/26

Actual pensionable pay is:	Contribution rate (%)
On earnings up to and including £27,500	5.5%
On earnings above £27,501 and up to £33,600	7.25%
On earnings above £33,601 and up to £46,100	8.5%
On earnings above £46,101 and up to £61,400	9.5%
On earnings above £61,401	12%

The contribution rates and pay bands will be reviewed periodically and may change in the future.

Do I get tax relief?

As a member of the LGPS, if you earn enough to pay tax, your contributions will attract tax relief when they are deducted from your ***pensionable pay***. There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increases in any one year by more than the standard annual allowance of £60,000, you may have to pay a tax charge. Most people will not be affected by the annual allowance.

Contributions

Does my council contribute?

Your council currently pays the balance of the cost of providing your LGPS benefits. Every three years an independent review is undertaken to calculate how much your council should contribute to the Scheme.

Is there flexibility to pay less in contributions?

Yes, you can move into the 50/50 section of the Scheme. In the 50/50 section, you pay half the normal contributions and build up half the normal pension. See the section on **Flexibility to pay less**.

Can I pay extra to increase my benefits?

You can increase your benefits by paying extra contributions, known as Additional Pension Contributions (APCs), to buy extra LGPS pension, or by making payments to the Scheme's ***Additional Voluntary Contributions (AVC)*** arrangement. See the section on **Flexibility to pay more**.

Re-joining the LGPS

If you re-join as a councillor and have deferred benefits from a previous period when you were a councillor in Scotland, your deferred benefits will generally be automatically joined with your new active ***pension account***, unless you decide to keep them separate. You will have 12 months from re-joining to make your decision. Your council may allow you longer to decide.

If you re-join as a councillor and have a deferred refund in the LGPS, this **must** be joined with your new active ***pension account***.

Any pension rights you built up as a councillor in Scotland cannot be joined with any LGPS rights you build up as an employee in Scotland, and vice versa.

Can I transfer in non-LGPS pensions?

If you have paid into a different pension scheme or into the LGPS in England and Wales or Northern Ireland, you may be able to transfer your previous pension rights into the LGPS. You only have 12 months from joining the LGPS to opt to do so, unless your council allows you longer. You cannot transfer a pension that is already being paid to you.

What if I'm already receiving an LGPS pension?

If you are already receiving a pension from the Scheme and you are re-employed (including starting a new office) in local government or by an employer who offers membership of the LGPS, your pension may be affected. Your pension will only be affected if some or all of it was built up before 1 April 2015. You must tell the LGPS administering authority that pays your pension about your new employment or office, regardless of whether you join the Scheme in your new position. They will let you know whether your pension in payment is affected in any way.

If you are receiving a pension from the Scheme, all of which you built up after 31 March 2015, and you are re-employed in local government or by an employer who offers membership of the LGPS, you do not need to inform the LGPS administering authority that pays your pension. There is no effect on your pension in payment.

Pension terms in ***bold italic*** type are defined in the Some terms we use section.

Contribution flexibility

You can find out more about the Scheme in the LGPS member videos: Pensions Made Simple. 'Looking after your pension' introduces ways that you can pay reduced or extra contributions.

Flexibility to pay less

When you join the Scheme, you will be placed in the main section of the Scheme. However, once you are a member you will be able to elect in writing, at any time, to move to the 50/50 section if you wish.

In the 50/50 section you pay half your normal contributions. This flexibility may be useful during times of financial hardship as it allows you to remain in the Scheme, building up valuable pension benefits, instead of opting out.

A 50/50 option form is available from your council. If you are a member in more than one office or job, you would need to specify in which of the offices or jobs you wish to move to the 50/50 section.

If you elect for the 50/50 section, you would be moved to that section from the next available pay period. You would then start paying half your normal contributions and build up half your normal pension. When you make an election for the 50/50 section, your council must provide you with information on the effect this will have on your Scheme benefits.

If you were to die in service while in the 50/50 section, the lump sum death grant and any survivor pensions would be worked out as if you were in the main section. If you are awarded an ill health pension, the amount of enhanced pension added to your ***pension account*** is also worked out as if you were in the main section.

The 50/50 section is designed to be a short-term option for when times are tough financially. Because of this, your council must put you back into the main section approximately three years from the date they first have to comply with the ***automatic enrolment provisions*** (and approximately every three years after that). If you wished to continue in the 50/50 section at that point you would need to make another election.

There is no limit to the number of times you can elect to move between the main and the 50/50 sections.

Pension terms in ***bold italic*** type are defined in the Some terms we use section.

Flexibility to pay more

There are several ways you can increase your pension benefits, on top of the benefits you are already looking forward to as an LGPS member.

You can increase your pension benefits by paying:

- Additional Pension Contributions (APCs) to buy extra LGPS pension
- ***Additional Voluntary Contributions (AVCs)*** arranged through the LGPS (in-house AVCs)
- Free Standing Additional Voluntary Contributions (FSAVCs) to a scheme of your choice
- contributions to a stakeholder or personal pension plan.

Subject to HMRC limits, you will get tax relief on contributions you pay to a UK pension scheme.

Your LGPS administering authority can give you more information on the first two of these options. Contact details are at the end of this guide. You may wish to take independent financial advice before you decide to pay extra.

Your pension

Your LGPS benefits are made up of:

- a pension that increases every year in line with the cost of living for the rest of your life, and
- the option to exchange part of your pension for a tax-free lump sum paid when you take your benefits.

How is my pension worked out?

Benefits built up from 1 April 2015

Every year, you build up a pension at a rate of 1/49th of the amount of ***pensionable pay*** you received in that ***Scheme year*** if you are in the main section. You build up a pension at half this rate if you are in the 50/50 section.

The pension built up during the ***Scheme year*** is added to your ***pension account*** and revalued in the April following the end of each ***Scheme year**,* so your pension keeps up with the cost of living.

The ***Scheme Year*** runs from 1 April to 31 March.

What pay is used to work out my pension from 1 April 2015?

The amount added into your ***pension account*** is worked out using your ***pensionable pay***, which is the pay on which you pay your normal pension contributions.

How is my pension worked out – an example

Let's look at the ***pension account*** of a member who joined the Scheme on 1 April 2018 who had:

- ***pensionable pay*** of £25,000 in 2018/19
- increases to their ***pensionable pay*** of 1 per cent each year.

Table 2: Example of pension build-up

Scheme Year	Opening Balance	Pension Build up in Scheme Year Pay / Build up rate = Pension	Total Account 31 March	Cost of Living Revaluation Adjustment	Updated Total Account
1 2018/19	£0	£25,000 ÷ 49 = £510.20	£510.20	2.4% = £12.24	£510.20 + £12.24 = **£522.44**
2 2019/20	£522.44	£25,250 ÷ 49 = £515.31	£1,037.75	1.7% = £17.64	£1,037.75 + £17.64 = **£1,055.39**
3 2020/21	£1,055.39	£25,502.50 ÷ 49 = £520.46	£1,575.85	0.5% = £7.88	£1,575.85 + £7.88 = **£1,583.73**
4 2021/22	£1,583.73	£25,757.53 ÷ 49 = £525.66	£2,109.39	3.1% = £65.39	£2,109.39 + £65.39 = **£2,174.78**
5 2022/23	£2,174.78	£26,015.11 ÷ 49 = £530.92	£2,705.70	10.1% = £273.28	£2,705.70 + £273.28 = **£2,978.98**
6 2023/24	£2,978.98	£26,275.26 ÷ 49 = £536.23	£3,515.21	6.7% = £235.52	£3,515.21 + £235.52 = **£3,750.73**
7 2024/25	£3,750.73	£26,538.01 ÷ 49 = £541.59	£4,292.32	1.7% = £72.97	£4,292.32 + £72.97 = **£4,365.29**

Benefits built up before 1 April 2015

If you joined before 1 April 2015, your benefits for membership before then were built up in the earlier career average scheme and are calculated differently.

For membership built up to 31 March 2009, you receive a pension of 1/80th of your ***career average pay*** plus an automatic tax-free lump sum of three times your pension.

For membership built up from 1 April 2009 to 31 March 2015, you receive a pension of 1/60th of your ***career average pay***. There is no automatic lump sum for membership built up after March 2009, but you do have the option to exchange some of your pension for a tax-free lump sum.

The underpin

When the LGPS changed in 2015, older members were protected from the changes. The courts have ruled that younger members were discriminated against because they were not protected. The LGPS rules were changed from October 2023 to remove the discrimination. The changes are known as the ‘McCloud remedy’. They introduced an underpin to protect members in scope.

You are protected by the underpin in the LGPS if you:

- were a member of the LGPS or another public service pension scheme before 1 April 2012
- build up benefits in the remedy period – 1 April 2015 to 31 March 2022
- were under age 65 in the remedy period, and
- have not had a disqualifying gap. A disqualifying gap is a gap of more than five years when you were not a member of the LGPS nor any other public service pension scheme.

Underpin protection only applies to pensions built up in the remedy period – 1 April 2015 to 31 March 2022. The protection stopped earlier if you reached your earlier scheme normal retirement age (usually 65) before 31 March 2022.

You do not need to make a decision or take any legal action to qualify for underpin protection. If you qualify, the protection will automatically apply.

If you are protected, when you take your LGPS pension, your pension fund will check whether it would have been higher under the earlier scheme. If it would have been, your pension is increased. Most members will not see an increase to their pension. This is because most members build up a higher pension in the current scheme than they would have built up in the earlier scheme.

You can find out more about the underpin and how you might be affected in the **McCloud remedy section of the LGPS member website**.

Leaving the Scheme before retirement

If you leave your office before retirement and have met the two-year ***qualifying period,*** you will have a right to a pension. You will have two options:

- you can choose to keep your benefits in the LGPS. These are known as deferred benefits and will increase every year in line with the cost of living, or
- you may be able to transfer your deferred benefits to another pension arrangement.

If you leave your office before retirement and **have not** met the two-year ***qualifying period,*** you will have two options:

- you will normally be able to claim a refund of your contributions, or
- you may be able to transfer your benefits to a new pension arrangement.

You don’t have to decide straight away but you should be aware that:

- a refund must be paid within five years of the date you left the Scheme (or by age 75 if earlier)
- if you do not claim the refund and you re-join the LGPS it will no longer be payable. The benefits will instead be added to your new ***pension account***
- your LGPS administering authority will set a deadline for you to elect to transfer out. You will not be able to transfer after this date.

Refund of contributions

If you leave, or opt out after three months, and have not met the two-year ***qualifying period***, you will normally be able to claim a refund of your contributions (less tax). Your administering authority will automatically pay the refund five years after you left (or age 75 if earlier) if you do not claim your refund, transfer your benefits to a new pension arrangement or re-join the LGPS.

Deferred benefits

If you leave before your ***Normal Pension Age*** and you meet the two-year ***qualifying period***, you will be entitled to deferred benefits in the LGPS. Your deferred benefits will be calculated as described in the **How is my pension worked out?** section.

While your benefits are deferred, they will increase each year in line with the cost of living.

Your deferred benefits will normally be paid unreduced at your ***Normal Pension Age***, unless one of the following happens:

- You transfer your deferred benefits to another pension arrangement.
- Your benefits are paid early on health grounds. Your benefits could be paid in full if:
    - you are permanently incapable of doing the role of councillor and
    - you are unlikely to be capable of undertaking any gainful employment before ***Normal Pension Age***.
- You elect to receive your deferred benefits early from age 55 onwards.
- You elect not to receive your deferred benefits at your ***Normal Pension Age*** and defer receiving your pension until later. Your benefits must be paid by age 75.

Benefits paid earlier than your ***Normal Pension Age***, other than on the grounds of permanent ill health, may be reduced to take account of their early payment and the fact that your pension will be paid for longer. Benefits paid after your ***Normal Pension Age*** will be increased.

The UK Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028. See 'planned increase to normal minimum pension age'.

Keep in touch – remember to let the LGPS administering authority know if you move house.

Transferring your benefits

If you leave the Scheme and are entitled to deferred benefits or a refund, you can generally transfer the cash equivalent of your pension benefits into another pension arrangement or a new employer's pension scheme. This may even be to an overseas pension scheme that meets HM Revenue and Customs conditions.

You cannot transfer your deferred benefits if:

- you leave the Scheme less than one year before your ***Normal Pension Age***,

Pension terms in ***bold italic*** type are defined in the Some terms we use section.

- you are still paying into the Scheme in another employment / office,
- you have received a pension from the Scheme, or
- you elect to transfer less than one year before your ***Normal Pension Age***.

Your new pension provider will require a transfer value quotation, which your LGPS administering authority will guarantee for three months.

You may also be able to transfer out your ***Additional Voluntary Contributions (AVCs)*** to a different pension arrangement. The conditions to be able to do so are different. You can transfer your AVCs without having to also transfer out your other benefits.

If you leave with a deferred benefit, return to office and re-join, your deferred benefit will normally automatically be transferred to the new active ***pension account***, unless you elect to keep it separate. If you wish to keep it separate, you must normally elect to do so within 12 months of re-joining. Your council may allow you longer to decide.

If you:

- leave the LGPS and are entitled to a refund of contributions (normally because you have less than two years' membership),
- do not take the refund, and
- re-join the LGPS

then the deferred refund **must** be joined with your new active ***pension account***.

Transferring your benefits to a defined contribution scheme

The UK Government introduced flexible benefits from 6 April 2015 to allow members of defined contribution schemes, who are over age 55, more freedom on how they take money from their pension pot.

The LGPS is not a defined contribution scheme, it is a defined benefit scheme. It is not directly affected by these changes. However, if you stop paying into the LGPS and have three or more months' membership, you may have the right to transfer your LGPS pension to a defined contribution scheme providing flexible benefits. You can only transfer your pension if you elect to transfer at least one year before your ***Normal Pension Age***. You will not have the right to transfer if you are retiring with immediate effect due to ill health.

You will be required by law to take independent financial advice if the value of your pension benefits in the LGPS (excluding AVCs) is more than £30,000. You are not required to do so if the value is less than £30,000. However, transferring your pension rights is not an easy decision and seeking the help of an independent financial adviser before you make a final and irreversible decision to transfer could help you in making an appropriate decision.

There are four main options for members, aged over 55, who are in a defined contribution scheme which provides flexible benefits:

- buying a guaranteed income for life (an annuity)
- using your pension pot to provide a flexible retirement income (flexi-access drawdown)
- taking multiple cash sums at different stages
- taking the whole pot as cash in one go.

Pension scams

You have worked hard to build your LGPS pension. Scammers may try to get their hands on your pension savings.

Anyone can be the victim of a pension scam, no matter how well informed they think they are. It is important that you can spot the warning signs.

To help you spot the signs and protect yourself from a scam, the Pension Scams Action Group suggest following four simple steps. The Group is a multi-agency taskforce of law enforcement, government and industry working together to tackle pension scams.

Step 1 - Is the offer unexpected?

Legitimate pension providers are highly unlikely to contact you out of the blue about your pension. Be wary of free pension review offers and/or promises of high/guaranteed returns.

Step 2 - Have you checked who you’re dealing with?

The Financial Conduct Authority’s (FCA) website has a Financial Services Register you can check to make sure that anyone offering you advice or services is authorised to do so.

A firm pretending to be an authorised firm is known as a ‘clone firm’ and may have a clone website that looks exactly like the real deal. **Tip**: double check their contact details against the register and see if they match. Always ensure a firm is FCA-authorised or you won't be protected by the Financial Ombudsman Service or Financial Services Compensation Scheme if something goes wrong.

Website: register.fca.org.uk Phone: 0800 111 67 68

Step 3 - Stop and think – are you being rushed or pressured?

Pressure to act quickly or you will miss out is often a warning sign. Take your time to make all the checks you need and remember, if it sounds too good to be true, it probably is.

Step 4 - Should you seek impartial advice or guidance?

MoneyHelper

Free and impartial information and guidance available online, over the phone and via webchat. Website: www.Moneyhelper.org.uk Phone: 0800 011 3797.

Financial advisers

If you can, it's a good idea to invest in speaking to a financial adviser. Often large amounts of money are at stake and they will be able to help you make the right decision for you. **Tip**: check any adviser you choose to use is regulated by the FCA.

Stop! Think Fraud

Learn more about how to spot and avoid scams. Website: stopthinkfraud.campaign.gov.uk.

If you suspect a scam, report it.

You can report an unauthorised firm or scam to the Financial Conduct Authority (FCA) using the online reporting form or on 0800 111 6768.

If you suspect a scam, report it to Action Fraud on 0300 123 2040 or at www.actionfraud.police.uk/. If you live in Scotland, call 101.

Be ScamSmart with your pension. To find out more, visit www.fca.org.uk/scamsmart

Retirement

You can find out more about the Scheme in the LGPS member videos: Pensions Made Simple. ‘Life after work’ covers your options when you take your pension.

When can I retire and take my LGPS pension?

You can choose to retire and take your pension at any time from age 55 to 75, provided you have met the two-year ***qualifying period*** in the Scheme.

However, the UK Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028. This does not apply if you have to take your pension early due to ill health. See ‘planned increase to normal minimum pension age’.

If you voluntarily retire before, on or after your ***Normal Pension Age***, you can defer taking your benefits, but you must take them no later than your 75th birthday. If you take your pension after your ***Normal Pension Age***, your benefits will be paid at an increased rate to reflect late payment.

The ***Normal Pension Age*** in the LGPS is linked to your ***State Pension Age**, but* with a minimum of age 65. If your ***State Pension Age*** changes in the future, your ***Normal Pension age*** will also change.

If you built up membership before 1 April 2015, you would have benefits in the earlier career average scheme. These benefits have a ***Normal Pension Age*** of 65.

Will my pension be reduced if I retire early?

If you choose to retire and take your benefits before your ***Normal Pension Age***, the benefits will be reduced because they will be paid for longer. Your benefits are calculated as set out in the **How is my pension worked out?** section and are then reduced. How much your benefits are reduced by depends on how early you take them.

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

If you leave your office due to illness, you may be able to receive immediate payment of your benefits.

To qualify for ill health benefits:

Pension terms in ***bold italic*** type are defined in the Some terms we use section.

- you must have met the two-year ***qualifying period*** in the Scheme, and
- your council, based on an opinion from an independent occupational health physician appointed by them, must be satisfied that you will be permanently unable to do the duties of your office until your ***Normal Pension Age***.

Ill health benefits can be paid at any age and are not reduced for early payment. In fact, your benefits are increased to make up for your early retirement.

What if I carry on in office after my Normal Pension Age?

If you carry on in your office after your ***Normal Pension Age***, you will continue to pay into the LGPS, building up further benefits. When you eventually retire you will receive your pension unless you choose to delay taking it. Your pension must be paid by age 75. Your pension will be paid at an increased rate because it will be paid for a shorter time.

How does my pension keep its value?

On taking your pension on or after age 55, it increases in line with the cost of living every year throughout your retirement. As the cost of living increases, so will your pension. If you retire on ill health grounds, your pension is increased each year regardless of your age.

Planned increase to normal minimum pension age

The UK Government has announced that the earliest age you can take your pension will increase from age 55 to 57 with effect from 6 April 2028. This does not apply if you have to take your pension early due to ill health.

You could be protected from this increase if you joined the LGPS in Scotland before 4 November 2021. You could also be protected if you transferred a previous pension into the LGPS if certain conditions are met. However, you will only be able to use this protection if the LGPS rules allow you to take your pension before age 57.

The Scottish Government makes the LGPS rules. It has not yet confirmed if it will allow members who qualify for protection to take their LGPS pension before age 57, from 6 April 2028.

We will update this guide when the Scottish Government changes the scheme rules to take account of the increase to the normal minimum pension age.

Can I exchange part of my pension for a lump sum?

When you take your LGPS pension, you can swap part of it for a one-off lump sum. For every £1 of annual pension you give up, you will receive a lump sum of £12.

Most members can take up to 25% of the overall value of their pension as a lump sum. The lump sum will usually be tax-free. HMRC limits the amount of tax-free cash you can take from all UK pension schemes. The limit - known as the lump sum allowance - is £268,275. A higher limit may apply if you hold protection from the lifetime allowance. If you have already taken payment of a pension from any UK scheme, you may have used up some of your lump sum allowance. If you exceed the allowance, you will have to pay tax on the excess at your marginal rate.

Taking a larger lump sum reduces your pension but does not reduce any survivor pension paid after you die to your spouse, civil partner, eligible cohabiting partner or child.

Your pension fund will give you more information about the option to swap pension for lump sum shortly before you take your LGPS pension. It is at that time you need to make a decision.

Taking AVCs as cash

If you pay ***Additional Voluntary Contributions (AVCs)*** in the LGPS, you may be able to take your AVC fund as a tax-free lump sum. This option will be open to you if:

- you take your AVC at the same time as your main LGPS benefits
- your AVC plus your LGPS lump sum is less than 25% of the overall value of your LGPS benefits (including your AVC fund) and
- the total lump sum doesn't exceed £268,275, or, if you have previously taken pension benefits, the lump sum doesn't exceed your remaining lump sum allowance.

Details of this option will be given to you shortly before you take your LGPS pension.

From age 55 (or earlier on ill health), you may be able to withdraw multiple cash lump sums from your AVC fund – these are called uncrystallised funds pension lump sums (UFPLS). The first 25 per cent of each withdrawal is usually tax free with the remaining 75 per cent taxed as ordinary income. Speak to your AVC provider for more information.

The UK Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028. See 'planned increase to normal minimum pension age'.

Other ways to use your AVC

Deciding how to use your AVC plan is an important financial decision. You may wish to get advice or guidance to help you choose which option is best for you.

Pension Wise is a government service from MoneyHelper that offers free, impartial guidance about your defined contribution pension options. Your AVC plan is a defined contribution pension that is attached to your LGPS pension.

Your pension fund is not allowed to proceed with your application to take AVCs until you tell them you have either received guidance from Pension Wise or you do not wish to take it. This is a legal requirement.

What you can do with your AVC depends on when you started the plan and when you left the LGPS. Not all of the options shown below are open to all members. You do not have to pick a single option, you can use more than one option that is open to you.

You may be able to use your AVC to:

- provide a tax-free lump sum
- provide a taxable lump sum
- buy an annuity from an insurance company, bank or building society of your choice
- buy a top-up pension in the LGPS.

If you left the LGPS before 1 April 2015, you do not have to take your pension when you take your main LGPS pension. If you take it later, your AVC options will be more limited.

You can transfer your entire AVC fund to a different pension arrangement. If you left the LGPS after 31 March 2015, you can only do this before you take your LGPS pension.

Please visit Taking your pension and paying extra on the LGPS member website to find out more about how you can use your AVC fund. Your pension fund will give you more details about your AVC options shortly before you take your LGPS pension.

Pension terms in ***bold italic*** type are defined in the Some terms we use section.

Protection for your family

You can find out more about the Scheme in the LGPS member videos: Pensions Made Simple. 'Protection for you and your family' covers death benefits in the LGPS.

What benefits will be paid when I die?

On your death, pensions will be paid to your –

- ***eligible children***
- spouse, ***civil partner,*** or, if certain conditions are met, ***eligible cohabiting partner****.*

A lump sum death grant will also be paid if you:

- die in service as a member of the LGPS
- leave before retirement with deferred benefits and die before receiving them
- die after receiving your pension, before your 75th birthday, and less than ten years' pension has been paid.

How much will the lump sum death grant be?

This will depend on whether you die in service, after leaving but before you take your pension or when you are receiving your pension.

If you die in service as a member of the LGPS, the lump sum is three times your ***assumed pensionable pay***.

If you leave before retirement with deferred benefits and die before receiving them, the lump sum is five times your deferred yearly pension. If you are also an active member of the Scheme in another employment, this may impact on the death grant that is paid.

If you die when you are receiving your pension and before your 75th birthday, the lump sum is ten times the yearly amount of your pension before giving up any pension for a lump sum, reduced by any pension and lump sum already paid to you. There is a slight difference to this calculation for any part of the pension you were receiving which relates to membership before 1 April 2015. If you are also an active member in another employment, this may impact on the death grant that is paid.

Who is the lump sum death grant paid to?

The LGPS allows you to say who you would like any death grant to be paid to by completing an expression of wish form. You can make/update your nomination online through MSS or by completing an expression of wish form available from the forms and publications section on our website. Fife Council, as Administering Authority of the Fife Pension Fund, however, retains absolute discretion when deciding who to pay any death grant to. You can find out how to contact your administering authority at the end of this guide.

What will be paid to my spouse, civil partner or eligible cohabiting partner?

Your spouse, civil partner or eligible cohabiting partner will receive a proportion of your pension. It will be paid for the rest of their life. Generally, this is:

- 30.625 per cent of the pension you built up from April 2015
- 37.50 per cent of the pension you built up between April 2009 and March 2015
- 50 per cent of the pension you built up before April 2009.

If you die in service as a member of the LGPS, the pension will include a proportion of the increase you would have received if you had retired on ill-health.

If you leave before retirement with deferred benefits and die before taking them, the pension is the relevant percentage of your deferred pension.

If you die after receiving your pension, the pension is the relevant percentage of your pension before giving up pension for a lump sum and before any reductions or increases for early or late payment.

Some parts of your pension are not counted. This includes additional pension bought by paying additional pension contributions.

If you were in the 50/50 section, this does not affect the value of the survivor's pension.

Help with pension problems

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

If you have a problem or question about your LGPS benefits, please contact your LGPS administering authority. They will try to put things right and answer any questions as quickly and efficiently as possible. If your query is about your contribution rate, please contact your council's HR or payroll section so they can explain how they decided which rate you should pay.

If you are still unhappy, you can use the Internal Disputes Resolution Procedure to have your complaint reviewed. There are also other regulatory bodies that may be able to assist you.

Internal Disputes Resolution Procedure

In the first instance, you should write to the person nominated by either the council or LGPS administering authority who made the decision you wish to appeal. You may alternatively write to the administering authority, who will refer the complaint to the relevant person. You must do this within six months of the date you are notified about the decision or of the act or failure to act you are complaining about. The nominated person can accept a complaint outside of the six-month period if they think it is reasonable to do so.

This is a formal review of the complaint. It is an opportunity for the matter to be reconsidered. The nominated person will consider your complaint and notify you of their decision. If you are unhappy with the nominated person's decision (or if they fail to make a decision), you may apply to the Scottish Ministers to have it reconsidered.

A leaflet explaining the Internal Disputes Resolution Procedure including relevant time limits is available from your LGPS administering authority.

MoneyHelper

MoneyHelper is provided by the Money and Pensions Service. MoneyHelper provides independent and impartial information about pensions, free of charge, to members of the public. MoneyHelper is available to assist members and beneficiaries of the Scheme with any pension query they have or any general requests for information or guidance concerning their pension benefits. MoneyHelper can be contacted:

> By telephone: 0800 011 3797
> Website: www.moneyhelper.org.uk/en/pensions-and-retirement/

The Pensions Ombudsman (TPO)

If you are unable to resolve the complaint with the Scheme then you can refer your complaint to TPO. TPO can look at complaints about the way personal and occupational pension schemes are run. This includes things like:

- taking too long to do something without good reason
- not doing something they should have
- not following their own rules or the law
- giving incorrect or misleading information
- not making a decision in the right way.

You have the right to refer your complaint to TPO free of charge. There is no financial limit on the amount of money that TPO can make a party award you. Its determinations are legally binding on all parties and are enforceable in court.

Contact with TPO 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 a discretion for those time limits to be extended.

TPO can be contacted:

In writing: 10 South Colonnade, Canary Wharf, E14 4PU
Telephone: 0800 917 4487
Email: Enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk (where you can submit an online complaint form)

The Pensions Regulator (TPR)

This is the regulator of work-based pension schemes. TPR has powers to protect members of work-based pension schemes and a wide range of powers to help put matters right, where needed. If you have a concern about your workplace pension you can contact them:

In writing: Customer Support, Telecom House, 125-135 Preston Road, Brighton, BN1 6AF
By telephone: 0345 600 0707
Website: www.thepensionsregulator.gov.uk

How can I trace my pension rights?

Pension terms in ***bold italic*** type are defined in the Some terms we use section.

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 dependants, who have lost touch with previous schemes. All occupational and personal pension schemes must register if they have current members contributing to the scheme or people expecting benefits from the scheme. If you need to use this tracing service:

Telephone: 0800 731 0175
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 or other contact details.

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 LGPS administering authorities have an AVC arrangement that you can use to invest money with an AVC provider. AVC providers are often insurance companies or building societies. AVCs are deducted directly from your pay and attract tax relief.

Assumed pensionable pay

This is a notional pay figure. The figure is used to calculate the benefits payable if you die in service (such as the lump sum death grant and increases to pensions for spouses, ***civil partners***, ***eligible cohabiting partners*** and ***eligible children***). The figure is also used to calculate the increase awarded on ill-health benefits.

Assumed pensionable pay is calculated as the average of the ***pensionable pay*** you received for the complete 12 weeks (or 3 months if monthly paid) before you died in service or before you left office due to illness, grossed up to an annual figure.

Automatic enrolment provisions

The Pensions Act 2008 requires each employer to automatically enrol their workers who meet certain conditions into a workplace pension scheme.

Career average pay

Career average pay is used to calculate your benefits for membership built up before 1 April 2015. Career average pay is the average of your ***pensionable pay*** over your period of LGPS membership. When calculating this, the ***pensionable pay*** for all years (1 April to 31 March), other than for the year in which you leave, is revalued to take into account the cost of living (as measured by the Retail Prices Index).

Civil partnership (civil partner)

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

Consumer Prices Index (CPI)

The Consumer Prices Index (CPI) is a measure of inflation of consumer prices in the United Kingdom. This is currently the measure used to revalue your ***pension account*** in the April following the end of every ***Scheme year*** when you are an active member. Also, each April after you leave, it is used to revalue your deferred benefits or pension in payment. This ensures your benefits keep up with the cost of living.

Eligible children

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

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

Eligible children must:

- be under age 18, or
- be aged between 18 and 23 and in full-time education or vocational training. 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, was free to marry or enter into a civil partnership with you and the relationship has met all the following conditions for a continuous period of at least two years:

- you and your cohabiting partner have been living together as if you were a married couple, or ***civil partners***, and
- neither you nor your cohabiting partner have been living with someone else as if you/they were a married couple 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 pension would be paid to your cohabiting partner if your partner satisfies your LGPS administering authority that:

- you were free to marry or enter into a civil partnership with each other on the date of death and
- the other conditions had been met for a continuous period of at least two years immediately before your death.

For this purpose, your LGPS administering authority will require evidence.

You are not required to complete a form to nominate your partner. However, you can provide your LGPS administering authority with your partner's details.

Normal Pension Age

Normal Pension Age is linked to your ***State Pension Age*** for benefits built up from 1 April 2015 (but with a minimum of age 65) and is the age at which you can take the pension 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*** tool ([www.gov.uk/calculate-state-pension)](http://www.gov.uk/calculate-state-pension) to check your ***State Pension Age***.

Your ***State Pension Age*** may change in the future. If it does, this will also change your Normal Pension Age in the LGPS for benefits built up from 1 April 2015. Once your LGPS pension is being paid, any later change in your ***State Pension Age*** will not affect your Normal Pension Age.

If you were paying into the LGPS before 1 April 2015, your benefits in the earlier career average scheme retain their protected Normal Pension Age of 65.

All pension benefits must be taken at the same date. You cannot choose to have your pension in the earlier career average scheme (built up before April 2015) paid at age 65 and your pension in your ***pension account*** (built up from April 2015) at your ***State Pension Age*** (or age 65 if later).

Pension account

Each ***Scheme year*** the pension you have built up during the year is worked out and added into your active pension account.

Your account may be adjusted during the ***Scheme year*** due to:

- any transfer of pension rights into the account during the year
- any extra pension bought 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 revalued in the April following the end of each ***Scheme year*** to take account of the cost of living. This is currently measured by the ***Consumer Prices Index (CPI)***).

If you are a councillor with more than one council, you will have a separate pension account for each office.

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 pension credit account, and
- a survivor member's account.

These accounts will be adjusted due to any Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a ***civil partnership***) and due to any Annual Allowance tax charge that you have asked the Scheme to pay on your behalf. These accounts are increased each April in line with the cost of living (as currently measured by the ***Consumer Prices Index (CPI)***). A deferred refund account will not be adjusted in these ways.

Pensionable pay

Your pensionable pay used to work out your pension each ***scheme year*** is the pay on which you normally pay pension contributions (gross pay before deductions). That is the remuneration your council pays you as a leader of the council, civic head, senior councillor or councillor, including payments in respect of functions as convenor or vice-convenor of a joint board.

Scheme year

The Scheme year runs from 1 April to 31 March.

State Pension Age

This is the earliest age you can receive the basic state pension. ***State Pension Age*** increased to 66 for both men and women between December 2018 and October 2020.

Under current legislation, the State Pension Age is due to rise to 67 between 2026 and 2028 and to 68 between 2044 and 2046. However, the UK Government has announced plans to bring forward the rise to 68 to between 2037 and 2039.

Qualifying Period

To qualify for benefits, you must be an active member of the LGPS for at least two years. This is called the qualifying period. You can meet the qualifying period before two years if:

- you have brought a transfer of pension rights into the LGPS 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 two or more years or, when added to the period you have been a member of the LGPS is, in total, two or more years, or
- you have brought a transfer of pension rights into the LGPS 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 to a pension scheme abroad (that is, to a qualifying recognised overseas pension scheme), or
- you already hold a deferred benefit or are receiving a pension from the LGPS (other than a survivor's pension or pension credit member's pension), or
- you have paid National Insurance contributions before 6 April 2016 while a member of the LGPS and cease to contribute to the LGPS in the tax year you reach pensionable age (for most, ***State Pension Age***), or in any later tax year, or
- you cease to contribute to the LGPS at age 75, or
- you die in service.

Further information and disclaimer

This guide is for councillors in Scotland and reflects the provisions of the LGPS and overriding legislation as at April 2025.

The national website for members of the LGPS is www.scotlgpsmember.org. Note that the website sets out the rules that apply to employees. These rules apply slightly differently to councillors. For more information, see the councillor page of the website.

This guide cannot cover every personal circumstance. It does not cover all ill health retirement benefits nor rights that apply to those whose benefits are subject to a pension sharing order following divorce or dissolution of a civil partnership. Nor does it cover rights that apply to a limited number of members, such as those:

- whose pension benefits increase in any tax year by more than the standard annual allowance or the tapered annual allowance, or
- to whom protected rights apply.

You can find out basic information about the annual allowance in the tax section of the national LGPS member website.

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.

More detailed information about the Scheme is available from:

Visit www.fifepensionfund.org for scheme information, guides and news events.

Write to: Pensions Team, Finance Service, Fife Council, Fife House, North Street, Glenrothes, Fife, KY7 5LT

Email: Pensions.section@fife.gov.uk

Telephone: 01592 583222