

# **LONDON BOROUGH OF HACKNEY PENSION FUND**

## **INCREASES TO YOUR LGPS PENSION**



### **A guide for members of the Local Government Pension Scheme (LGPS)**

## **How are LGPS Pension Increases calculated?**

#### **Disclaimer**

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Your pension is increased in line with the cost of living in order to maintain its spending power. The increase is measured by the September to September adjustment in the Consumer Price Index (CPI) and is applied to your pension from the following April. If the cost of living has gone down your pension will not be reduced - it will remain payable at the same rate.

**For example:**

*CPI index for the year up to September 2020 was 0.5%, therefore, an increase of 0.5% applies to pensions in payment from 12 April 2021.*

If applicable, the first increase to your pension after retirement (from active membership) will normally only be a proportion of the full increase, depending on how many months your pension has been in payment during the year.

## Increases to your deferred LGPS pension benefit

In the year you leave the LGPS, the value of pension in your pension account (in respect of the pension built up from 1 April 2014 onwards ONLY) is revalued up to the date of leaving, in line with the cost of living. This revaluation is applied on 1 April in line with HM Treasury Revaluation orders, known as Treasury Orders.

If the cost of living has gone down in the year ending 30 September in the scheme year in which you leave, it is possible that the value of the deferred pension in your pension account could reduce.

For the period after your date of leaving, your total deferred benefits (including the benefits you built up before 1 April 2014) will be increased in line with the cost of living. However, if the cost of living goes down your deferred benefits will not be reduced. Your pension will also continue to receive cost of living increases every year once it is paid to you.

## Increases to your LGPS pension once it is being paid to you

If your pension is being paid to you it will be revalued inline with the cost of living (Consumer Price Index) each April if you are over the age of 55. If you retired from your employment due to permanent ill health, pension increases will be applied to your pension from any age.

The first increase to your pension after retirement (from active membership) will normally only be a proportion of the revaluation, depending on how many months your pension has been in payment during the year.

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If your deferred pension benefit is paid to you early because of your permanent ill health, pension increases can be paid to you before the age of 55 if an independent doctor who is qualified in occupational health medicine determines that you are permanently incapacitated from undertaking any regular full-time employment and your employer has agreed to your retirement on the grounds of ill health.

If you are under age 55 and your pension is in payment for any other reason, it will normally not be increased until age 55. At 55 it will increase to the level it would have been, had it been increased every year since your date of retirement.

The increases will be paid to you in April of each year.

## Increases from your State Pension Age

From your State Pension Age (SPA) payment of the increases to your pension may be shared between your pension fund and the Government. This is because the LGPS guarantees to pay you a pension that is at least as much as you would have earned had you not been contracted out of the State Earnings Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the **Guaranteed Minimum Pension (GMP)**.

This GMP forms part of your LGPS pension (it is not paid in addition to it) and the Government is responsible for paying part of the cost of living increases on it as below:-

<b>Guaranteed Minimum Pension (GMP) earned between 6 April 1978 and 5 April 1988</b>	<b>Pension increases are paid by the State with your State Pension</b>
<b>Guaranteed Minimum Pension (GMP) earned between 6 April 1988 and 5 April 1997</b>	<b>The first 3% of the pension increase is paid by your LGPS pension fund. Any increase above 3% will be paid by the Government with your State Pension</b>
<b>Pension in excess of Guaranteed Minimum Pension</b>	<b>Pension Increases will be paid in full by your LGPS pension fund.</b>

**However, the above does not apply if you reach State Pension Age after 6 April 2016 as your LGPS pension fund will be responsible for paying the full increases to your pension including the GMP amount.**

The GMP part of your pension will receive a full year increase, even if the rest of your pension is receiving a proportion of the increase because you retired part way through the year.

## Contracting out - more information

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Before 6 April 2016 the State Pension was made up of 2 parts, the basic State Pension and the additional State Pension. The additional State Pension part was known as the State Earnings Related Pension Scheme (SERPS) from 1978 followed by the Second State Pension (S2P) from 2002. How much additional State Pension you received depended on your National Insurance contributions.

If you were a member of the LGPS from 1978 you were automatically contracted out of the additional State Pension between 6 April 1978 and 5 April 2016. This means that during this period, and whilst you were a member of the LGPS, you would not have not been built up much, if any, additional State Pension, as you have been building up pension benefits in the LGPS instead.

The rules have changed over the years, but for the period from 6 April 1978 to 5 April 1997 the amount of additional pension you would have earned had you not been contracted out of the additional State Pension is called your **Guaranteed Minimum Pension (GMP)**. This GMP forms part of your LGPS pension (it is not paid in addition to it).

From 6 April 2016 the Government introduced a new single tier State Pension; this will replace the basic and additional State Pension and ends the contracting out of the additional state pension. The new State Pension will be payable to you if you reach State Pension Age on or after 6 April 2016.

## FURTHER INFORMATION

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