



Merseyside Pension Fund Fact Sheet 6: Life Cover - Protection for your Family (January 2010)

The Local Government Pension Scheme (LGPS) provides valuable life cover and financial protection for your family. In this fact sheet we look at how these benefits work if you pay into the LGPS on or after 1 April 2008.

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:

The Death Grant

A tax-free lump sum 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.

Survivor's Pension

An ongoing pension is provided for your spouse, Registered Civil Partner (RCP) or, subject to certain qualifying conditions, your Nominated Cohabiting Partner (NCP). 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 (RPI).

For spouses: 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 RCP or NCP: the pension payable is calculated in the same way, although only your membership from 6 April 1988 is used in the calculation.

To nominate a Cohabiting Partner 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 for a Nominated Cohabiting Partner's survivor's pension?**' on page 5.



Children's Pensions

Are payable to eligible children and increase every year in line with the cost of living (RPI). The amount of pension depends on the number of eligible children you have:

If a survivor's pension is being paid to your spouse, RCP or NCP

One child would receive $1/320$ th of your final pay times the membership you would have built up to age 65, while two or more children would receive $1/160$ th shared equally between them.

If no spouse's, RCP or NCP pension being paid

One child would receive $1/240$ th of your final pay times the membership you would have built up to age 65, while two or more children would receive $1/120$ th 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.



<<< You should read the Fund's '**Planning your Retirement**' to find out how membership counts and how final pay is worked out for the calculation of LGPS benefits.

If you die in service and are you 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, RCP or NCP 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, RCP or NCP and to **eligible children**. To buy added years you must have opted to do so before 1 April 2008.

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 spouse/RCP pension 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 spouse, RCP, NCP, next-of-kin or person dealing with your Estate must immediately inform the Fund of your date of death as otherwise an overpayment could occur. The following benefits may then be payable on your death:

The Death Grant

This will be paid if you die **within the first 10 years on pension**, 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).

The Fund has absolute **discretion** over who receives any lump sum death grant; it can be paid 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 the LGP25 Death Grant Nomination Form, available to download at <http://tinyurl.com/yecebgz> or on request from the Fund on 0151 242 1390.

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. Remember to complete a new form if your wishes change.

Survivor's Pension

Will be paid to your spouse, RCP or, subject to certain qualifying conditions, your NCP. 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 (RPI).

For your spouse: 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 RCP or NCP: the pension payable is equal to 1/160th of your final pay times your membership in the scheme after 5 April 1988.

To nominate a cohabiting partner 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 for a Nominated Cohabiting Partner's survivor's pension?**' on page 5.

Children's Pensions

These are payable **to eligible children** and increase every year in line with the cost of living (RPI).

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 spouse's, RCP or NCP 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.

What are the qualifying conditions for a Nominated Cohabiting Partner (NCP) survivor's pension to be paid?

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

- both you and your NCP are, and have been, free to marry each other or enter into a civil partnership with each other, and
- you and your NCP have been living together as if you were husband and wife, or civil partners, and
- neither you or your NCP have been living with someone else as if you/they were husband and wife or civil partners, and
- either your NCP is financially dependent on you or you are 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 form LGP25a Survivor's Pension – Nomination of Cohabiting Partner, available to download at <http://tinyurl.com/ykbrf75> or on request from the Fund on 0151 242 1390.

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

- the nomination has effect at the date of your death, and
- your nominated co-habiting partner satisfies the Fund that all above conditions had also been met for a continuous period of at least 2 years immediately prior to your death.
- 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 [Fact Sheet 2 Tax and your Benefits >>>](#)



More information

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

Address:

Merseyside Pension Fund
 PO Box 120
 7th Floor
 Castle Chambers
 43 Castle Street
 Liverpool
 L69 2NW

Opening Hours: Monday - Friday 9.00am - 5.00pm

Phone: 0151 242 1391

Fax: 0151 236 3520