

The Local Government Pension Scheme Guidance note for employers Leaver forms LG4 & LG5 and Estimate request form LG29



RBKC 2021.V1

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Part A Which form should I complete?

➤ Estimate Request form LG29

You should complete **LG29** if you would like to request estimated figures for an employee:

- who is vulnerable to redundancy (over age 55)
- who may retire on the grounds of business efficiency (over age 55)
- for whom you are considering a request for flexible retirement
- who is likely to retire on the grounds of ill health – please only request figures where the likely Tier of ill health to be awarded is known and the figures **must** be available in advance of the retirement date, in a case of terminal illness where a comparison must be made between death in service and ill health retirement, for example
- where you are considering waiving all or part of the early retirement reductions that would otherwise have applied to the member’s benefits.

You will also need to complete form **LG29** when an employee has requested a retirement estimate or other calculation and RBKC Pensions need details of the employee’s pay at a certain date in order to produce the figures requested.

➤ Leaver form LG5

You should complete LG5 when an employee's scheme membership ends as a result of:

- Opting out of the LGPS (at any age) with more than 3 months' scheme membership
- Voluntary resignation, redundancy or business efficiency under age 55
- Voluntary resignation over age 55 where the member does not wish to claim their LGPS benefits immediately
- Any other reason for leaving where the member is under age 55, other than ill health retirement or death in service.

➤ Leaver form LG4

You should complete LG4 when an employee is entitled to immediate payment of their pension benefits, or a payment is due to their dependants:

- Ill health retirement (at any age)
- Redundancy / business efficiency (over age 55)
- Scheme's upper age limit attained (age 75)
- Flexible retirement agreed
- Employer consent retirement (employer funding early payment)
- Resignation over age 55 AND member has indicated that they wish to claim the immediate payment of their LGPS benefits
- Death in service.

There will be an **employer cost** if a scheme member retires on redundancy or business efficiency grounds before their Normal Pension Age (NPA – generally the member's state pension age with a minimum of age 65), or if the employer agrees to waive the early retirement reductions that would otherwise apply to the benefits of a member who is fully or flexibly retiring. **There may also be an employer cost in the case of flexible retirement even if you have not agreed to waive the early payment reductions.**

If you agree to an early retirement on one of these grounds then you will have to pay the cost of releasing the pension benefits early to the pension fund. An invoice will be sent to you after we receive the LG4 form. It is important that you request an estimate of the member benefits and employer cost (by submitting form LG29) before agreeing to an early retirement that may incur an employer cost.

IMPORTANT – DO NOT COMPLETE form LG4 if you are requesting estimated figures for a possible retirement. If the member's retirement date and reason for leaving is not yet fixed, and you are requesting provisional figures, then please complete **LG29** Estimate Request Form.

On receipt of form LG4 or LG5, RBKC Pensions will change the member's status from 'active' to 'leaver', in our database, meaning that no Annual Benefit Statement will be produced for the member, so it is very important that a leaver form is only completed once the employee's date of leaving and reason for leaving have been confirmed.

Part B When should I complete the form?

➤ Estimate Request form LG29

If the estimated figures are required by you, the employer, you should complete and return form LG29 as soon as you are in a position to supply the reason for leaving, proposed leaving date and estimated salary pay details.

Where the information is required in relation to a member request, RBKC Pensions will not be able to supply the estimated retirement figures that the member has requested until we receive confirmation of the employee's salary details on form LG29. Your early response would be appreciated.

➤ Leaver form LG5

This form should be completed when the final salary details for the member are available. Ideally, this should be within one month of the member's last day of scheme membership. You do not need to complete form LG5 in advance of the date that scheme membership will end.

➤ Leaver form LG4 – Notice of Retirement

In response to customer feedback, and to make improvements to the retirement process for scheme members, we have changed what information we require from you. For retirements from 1 April 2017 onwards, you will need to notify RBKC Pensions in advance of an employee's retirement date. You should therefore submit two versions of this form:

- **Advance notification** – to be supplied as soon as you are aware of the member's leaving date and reason for leaving. This should be **at least one month before the member's retirement date**. Where an employee receives additional variable pensionable payments, and it is not possible to supply accurate figures in advance of the leaving date, you should include estimated figures based on the salary information available.

This information will be used to provide a formal retirement quotation and pension claim forms to the member.

- **Final** – You should complete a final version of the LG4 once the salary details and contributions have been confirmed.

IMPORTANT – The employee's LGPS benefits will not be paid until RBKC Pensions has received a final version of Form LG4.

There will be some circumstances where it is not possible to complete Form LG4 in advance – death in service cases, for example. Please complete the LG4 as soon as the relevant information is available.

Part C How do I complete the form?

You will first need to ensure the name of the employer and administering authority you are a part of:

For RBKC the administering authority is: RB Kensington & Chelsea

➤ SECTION 1 – Member's personal details

It is important that we know which record the form relates to, particularly where an employee has multiple posts. Please include the unique pay or personnel number and the job title so that we can identify the correct record.

If you are completing form LG4 or LG5 for an employee who has left / is leaving the scheme, please include their home address for future correspondence.

If you are completing form LG29 in response to a calculation request made by the scheme member, then the member should have completed the parts of this section that you will need to identify what salary information you should provide.

➤ SECTION 2 – Reason for leaving / reason for estimate request

Please specify the employee's leaving date (or proposed leaving date if you are completing form LG29).

The tables that follow include information about the reasons for leaving and the forms that you should complete.

	Reason for leaving and additional information (No immediate entitlement to benefits)	Form to complete	
		Actual stage	Estimate request
1	<p>Opt out – Election made <u>less than three months</u> from date joined LGPS in this post</p> <p>The employee should be treated as if they have never been a member of the LGPS in this post. Contributions must be refunded through your payroll system - with both the employee and employer contributions refunded in full. An employee with more than one post can opt out of one, all or some of the posts.</p> <p>Complete LG2 (opt out notification form) if you have already informed RBKC Pensions that the member has joined the scheme, or if they joined the scheme under auto-enrolment rules, and send the LG2 form to RBKC Pensions with a copy of the opt out form.</p> <p>IMPORTANT – If a member returns a completed opt out form within three months of the date they joined the LGPS, you must refund the employee contributions within one month of receipt of the opt out form (or, if the payroll has already been run, in the next pay period).</p> <p>Subject to eligibility, any subsequent additional employments should be treated as pensionable.</p>	LG2	n/a
2*	<p>Opt out – Election made <u>more than three months</u> after date joined LGPS in this post</p> <p>Remove the employee from the pension scheme from the first day of the month following your receipt of their opt out election.</p> <p>Send a copy of the opt out form to RBKC Pensions with form LG5.</p> <p>Subject to eligibility, any subsequent additional employments should be treated as pensionable.</p>	LG5	n/a
3*	<p>Resignation (under age 55) Redundancy (under age 55) Business efficiency (under age 55) Resignation over age 55 BUT member does NOT wish to receive immediate payment of LGPS benefits</p> <p>Gross/grave misconduct</p> <p>There may be very limited circumstances in which monies owed to the employer can be recovered from a member's pension benefits following dismissal. Please contact RBKC Pensions for further advice if a member is dismissed and owes monies relating to the act for which they were dismissed.</p>	LG5	n/a
<p>* If the employee has been a member of the LGPS for less than 2 years then they may be entitled to receive a refund of contributions via the pension fund. If the member joined before 6 April 2016 and left with less than two years' membership, then you will need to provide us with the member's contracted-out earnings on which National Insurance contributions were calculated at the contracted-out rate so that we can correctly work out the refund that they are entitled to. Contracted-out earnings are the earnings between the Lower Earnings Limit and the Upper Accrual Point.</p> <p>Any leavers after March 2018 with less than two years' scheme membership will not have any contracted out earnings, but if you are completing a leaver form with an earlier leaving date, then please provide the contracted out earnings on Page 4 of the form.</p>			

Reason for leaving and additional information (Immediate payment due)		Form to complete	
		Actual stage	Estimate request
<p>In order to qualify for benefits, employees must have at least 2 years' LGPS membership or have transferred benefits in from a previous pension scheme or arrangement. The benefits related to death in service are payable irrespective of the member's length of scheme membership.</p>			
4*	<p>Redundancy or business efficiency (age 55 and over)</p> <p>LGPS benefits paid immediately without actuarial reduction for early payment. There are employer costs for the early release of pension benefits before NPA.</p> <p>IMPORTANT - any additional pension paid for by either Additional Regular Contributions (ARCs), Additional Pension Contributions (APCs) or Shared Cost Additional Pension Contributions (SCAPCs) would be paid at a reduced rate if retirement occurs before Normal Pension Age (NPA).</p>	LG4	LG29
5	<p>Retirement at or over NPA (state pension age, minimum of age 65) Scheme's upper age limit attained (age 75)</p>	LG4	LG29#
6*	<p>Flexible retirement (age 55 and over)</p> <p>Flexible retirement is at the employer's discretion and you will need to have published a flexible retirement policy to allow retirement on this basis. With their employer's agreement, a member can reduce their hours or move to a lower graded position and draw some or all of their LGPS benefits.</p> <p>If flexible retirement occurs before the member's Normal Pension Age the benefits may be reduced to take account of the early payment - unless the employer, at their own cost, agrees to waive the reduction in whole or in part.</p> <p>You will need to select the correct reason for leaving depending on whether you are waiving the early retirement reductions. Please also notify us of the ongoing reduced pay post using your normal method of notifying the pensions team about new scheme members (employer portal, spreadsheet or LG1 form).</p> <p>IMPORTANT – In some cases there may be an employer cost related to flexible retirement before age 60 even if the employer does not agree to waive the early retirement reductions. You are advised to check the position with RBKC Pensions before agreeing to flexible retirement. Please use the <i>Estimate Request Form (LG29)</i> if you would like provisional figures for a possible Flexible retirement.</p>	LG4	LG29
7	<p>Ill health retirement (any age)</p> <p>The decision as to which Tier scheme a member is allocated is determined by the employer after obtaining and considering the opinion of an Independent Registered Medical Practitioner (IRMP).</p> <p>You will need to indicate in Section 2 which Tier has been awarded and provide a copy of the appropriate Ill Health Certificate completed by the IRMP.</p>	LG4	LG29#
<p>* Depending on the member's age and length and dates of service, there is likely to be an employer cost related to the release of their LGPS benefits on this basis</p> <p># Please only request prospective figures where this is required as part of a compromise agreement for example. Please do not request provisional figures in all cases.</p>			
<p>IMPORTANT – You must submit an advance notification of an employee's retirement at least one month before the retirement date.</p>			

Reason for leaving and additional information (Immediate payment due - continued)		Form to complete	
		Actual stage	Estimate request
In order to qualify for benefits, employees must have at least 2 years' LGPS membership or have transferred benefits in from a previous pension scheme or arrangement. The benefits related to death in service are payable irrespective of the member's length of scheme membership.			
8	<p>Resignation between age 55 and NPA – benefits reduced</p> <p>Employees over age 55 do not require their employer's consent to claim their LGPS benefits. However, not all employees leaving at age 55+ will want to claim their occupational pension immediately. Please only complete form LG4 where the employee has indicated that they wish to claim their pension immediately on a reduced basis.</p> <p>If you know that the member is unlikely to claim their pension immediately – because they are moving to another employer within Local Government for example – then you should complete form LG5.</p>	LG4	LG29 [#]
9*	<p>Employer consent – employer funding payment before age 60</p> <p>If a member retires between age 55 and 60 and would have satisfied the '85 year rule' before age 60 then the employer can choose to pay the LGPS benefits by reference to this date – and bear the cost of early payment.</p> <p>Pension Services will be able to advise if a member falls within this category if the employer wishes to consider applying the special conditions.</p>	LG4	LG29
10*	<p>Employer consent – reductions waived</p> <p>If a member retires between age 55 and their NPA (state pension age with a minimum of 65) the employer can choose to waive the early retirement reductions that would otherwise have applied – and bear the additional cost of doing so.</p> <p>Please note that if the member's Local Government pension includes benefits that were built up before 1 April 2014 then the early payment reductions can only be waived on compassionate grounds.</p>	LG4	LG29
11	<p>Death in service</p> <p>If an employee dies in service, please complete form LG4 and provide what details you have concerning the employee's next of kin. Some employers have historically retained details of employees' expression of wish for the distribution of any death grant. If you hold these details, please also forward a copy to Pension Services.</p>	LG4	LG29 [#]
<p>* There will be an employer cost related to the release of their LGPS benefits on this basis</p> <p>[#] Please only request prospective figures where this is required as part of a compromise agreement for example. Please do not request provisional figures in all cases.</p>			
<p>IMPORTANT – Where an employee's reason for leaving is any of those numbered 4 to 10 in the table above then you must submit an advance notification of their retirement at least one month before the retirement date.</p> <p>You should submit a final version as soon as their pay details for the final month have been confirmed.</p> <p>It will not be possible for any pension or lump sum to be paid to the member until we have received a final version of form LG4</p>			

➤ SECTION 3 – Final pensionable pay details (LGPS 2008 definition)

Employers are responsible for calculating and providing final pay figures (under the 2008 scheme definition) **for members leaving the scheme who were active members before 1 April 2014**. You will also need to supply a final pay figure for employees who joined the LGPS after 31 March 2014 and have transferred final salary pension benefits to the LGPS from another public sector pension scheme.

'Final pay' for pension purposes is generally the pensionable pay earned in the last 365 days ending on the date of leaving. So if a member's last day of service is 14 May 2018, you will need to provide us with the final pay for the period from 15 May 2017 to 14 May 2018.

IMPORTANT - Pensionable pay (under the 2008 LGPS definition) means normal salary or wages plus any shift allowance, bonuses, **contractual** overtime, Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified in the employee's contract as being pensionable.

Pensionable pay (2008 definition) does not include: any non-contractual overtime or additional hours worked, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays or the monetary value of a car or pay received in lieu of a car.

It is the employer's statutory responsibility to ensure that the 'final pay' figures calculated are correct, and the importance of this cannot be overemphasised. Not only will the member's benefits be based on the information you supply, but also your employer's pension liabilities will be directly linked to the level of those benefits.

- **Actual Annual Salary (A)**

This is the member's actual annual pensionable salary (2008 scheme definition).

- **Percentage of Whole-time Equivalent (WTE) Hours (B)**

This is the percentage of the WTE hours worked (for the period shown) if the member is part-time and/or works less than 52 weeks per year.

- **WTE Annual Salary (C)**

For part-time members you will need to provide details of their WTE annual salary for the period shown. This is the pensionable pay they would have received had they not been part time.

Using the example LG5 form, a part-time employee's WTE pay is calculated as follows:

$$A / B = C \quad \text{£17,625 / 75\% = £23,500}$$

- **Fraction of Months and Days (D)**

This is the fraction of the months and days used in respect of each relevant pay period in the final year. Using the example LG5 form, the period from:

22 January 2017 to 31 March 2017 equates to: **2 months and 10/31 days**

1 April 2017 to 30 November 2017 equates to: **8 complete months**

1 December 2017 to 21 January 2018 equates to: **1 month and 21/31 days**

IMPORTANT – the salary included on the LG4, LG5 or LG29 for any part month should be based on the method you use to calculate a part-month salary payment.

- **Total amount of WTE pay for relevant period (E)**

This amount is the proportion of WTE pay earned in the relevant 'final pay' period. Using the example LG5 form, the calculation of WTE pay for each respective pay period from 22 January 2017 to 21 January 2018 is shown overleaf.

$$D \times C / 12 = E$$

10/31 + 2 months x £23,500	/ 12 months	= £4,548.39
8 months x £24,200	/ 12 months	= £16,133.33
21/31 + 1 month x £24,200	/ 12 months	= £3,382.80
Total amount of WTE pay for period shown		= <u>£24,064.52</u>

FURTHER INFORMATION about 'final pay' under the 2008 LGPS definition can be found in Section 6.1 of the Payroll Guide to the 2014 scheme, which has been produced by the Local Government Association. The full guide can be found at: www.lgpsregs.org

SECTION 3 continued - Additional Variable Payments

These extra payments are variable pension payments (under the 2008 LGPS definition) in addition to the basic salary such as shift allowance, bonuses or contractual overtime.

You will see from the example LG5 form that a lump sum Performance Related payment of £1000 was made within the final pay period. However, part of the period for which the payment was due was outside the 'final pay' period (from 1 April 2016 to 21 January 2017) and therefore only the part of this payment relating to the final year should be included in the final pay calculation – the period from 22 January 2017 to 31 March 2017.

22 January 2017 to 31 March 2017 £1000 / 12 x (2 months + 10 / 31 days) = £193.55

SECTION 3 continued - Declaration by employer completing this form

If you are completing LG4 or LG5 and the final year's pay is not the highest out of the final three years, then you will also need to complete section 3 for the two previous years (ending on the anniversary of the actual leaving date).

Depending on the reason for the pay reduction, you may also need to supply salary details for the last 13 years, if this would yield a better result for the employee.

IMPORTANT – If you are completing form LG4, then you should do so as soon as you have been notified that the employee is retiring. You should provide the final pay details in Section 3 on a provisional basis for the advance notification (which should be provided at least **one month** before the retirement date) and confirm or correct the information when you complete a final version of the form.

➤ SECTION 4 – Pensionable pay for LGPS 2014 scheme

Please indicate on the form whether the member contributed to the main section or the 50/50 section of the scheme from 1 April of the final year to the date of leaving **and** provide the pensionable pay (or Assumed Pensionable Pay) for each respective period.

Pensionable pay - The definition of Pensionable Pay in the 2014 scheme includes normal salary or wages, plus any shift allowance, bonuses, overtime (both contractual and non contractual) Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified in their contract as being pensionable.

Assumed Pensionable Pay (APP) – If an employee moves to a period of reduced contractual pay or nil pay as a result of sickness or injury or commences relevant child related leave (i.e. ordinary maternity, paternity or adoption leave and any paid additional maternity, paternity or adoption leave), you will need to calculate the APP figure.

You will also need to provide this information for the previous year ending 31 March if these details have not already been forwarded to Pension Services.

IMPORTANT – If you are completing form LG4, then you should do so as soon as you have been notified that the employee is retiring. Please provide the career average pay details in Section 4 on a provisional basis and confirm or correct the information when you complete a final version of the form.

If you are completing form LG29, then the career average pay details that you will need to supply depend on whether the prospective leaving date is before or after the next 31 March.

THINGS TO CONSIDER – Further information about the definition of pensionable pay in the 2014 scheme can be found in Section 4.1 and Section 6 of the Payroll and HR Guides to the 2014 scheme, respectively.

How to calculate APP can be found in Section 4.2 and Section 11 of the Payroll and HR Guides to the 2014 scheme, respectively. These guides have been produced by the Local Government Association and can be found at: www.lgpsregs.org/resources/guidesetc.php

SECTION 4 continued – Ill health retirement / Death in service cases only

You will need to calculate Assumed Pensionable Pay (APP) when an employer terminates an active member's employment on the grounds of permanent ill-health with a Tier 1 or Tier 2 ill health pension or an active member dies in service.

The figure that you supply in this section should be an annual rate based on the three full months before the member's leaving date (ill health retirement Tier 1 or 2 cases), or date of death.

THINGS TO CONSIDER – Further information about how to calculate APP where a member retires with a Tier 1 or Tier 2 ill health pension or dies in service can be found in Section 4.2 and Section 11 of the Payroll and HR Guides to the 2014 scheme. These guides have been produced by the Local Government Association and can be found at: www.lgpsregs.org/resources/guidesetc.php

➤ SECTION 5 – Pension contributions

This section **does not** appear in form LG29.

If you are completing Form LG4, then you only need to complete this section when you are submitting the **final version** of the form.

You will need to provide details of the member's **total basic pension contributions** from 1 April of the final year to the date of leaving, together with their **contribution rate** at leaving.

Details of other contributions you may also need to provide are:

Member's Additional Pension Contributions (APCs)

Scheme members may have been paying APCs to:

- **buy extra pension**
- **buy lost pension for unpaid leave of absence**
- **buy lost pension due to strike action**

The member may choose to make a one off contribution or pay regular additional contributions. The cost is a cash amount NOT a percentage of pay.

Employer Shared Cost Additional Pension Contributions (SCAPCs): Where a member (within 30 days of returning to work) has elected to buy 'lost' pension due to a period of unpaid leave of absence (excluding strike action) you will need to pay 2/3rds of the cost of the APC and these are known as employer SCAPCs. **Please refer to separate guidance on the calculation and cost of APCs and SCAPCs.**

Additional Regular Contributions (ARCs): These contracts are only applicable to members who elected to pay ARCs prior to 1 April 2014. Payments under these contracts are flat sums payable per pay period and are not percentages of pensionable pay.

Added Years: Members may be paying extra contributions to buy Added years if they took out a contract before 1 April 2008. Payments under these contracts are expressed as a percentage of the member's pensionable pay (2008 Scheme definition). You will need to provide details of the amount of contributions deducted in respect of the Added Years contract from 1 April of the final year to the date of leaving, and the percentage Added Years contribution rate.

You will also need to provide us with details of additional contributions under any of the arrangements described on the previous page that were paid in the previous year ending 31 March if this information has not already been supplied to Pension Services.

➤ **SECTION 6 – Declaration by employer (section 5 in LG29)**

You should complete the employer declaration to confirm that the information that you have provided is correct as at the date you have completed the form. Please also supply your contact details so that the pensions team can contact you if we have any questions about the information that you have supplied.

If you are completing form LG4, then you should only complete this section when you submit the **final** version of the form.

Additional information

You can include any additional information relevant to the leaver form that you are completing on the final page of the form.

Contracted out earnings: Where a member has been contributing to the LGPS for less than 2 years, they may be eligible to claim a net refund of contributions via the Pension Fund. An amount equivalent to the additional tax and, if the member joined the scheme before 6 April 2016, National Insurance they would have paid if they had not been a member of the scheme will have to be deducted from their gross pension contributions.

If the employee joined the scheme before 6 April 2016 and has been contributing to the LGPS for less than two years, please provide us with their **contracted out earnings** on which National Insurance contributions were deducted at the contracted out rate for their period of scheme membership. **Contracted out earnings** are the earnings between the Lower Earnings Limit and the Upper Accrual Point.

Please note that for leavers with less than 2 years' membership from 1 April 2018 onwards there will be no contracted out earnings for you to report.

Pension Services will write to the member with details of the options available to them.

As you may be aware, Surrey Pension Services did not receive a full and accurate history of pensionable pay for the 2014 scheme from the former pension administrators in all cases. If you are aware that pay figures for your employees in our records for earlier years may be missing or incorrect, please include pensionable pay for the years from 2014/15 on the final page of the form to ensure that the member's benefits are accurately calculated.

IMPORTANT: We will assume that the pay details that you supply on the leaver form are correct if they are different from the figures that we hold in our records, so please make sure that the figures you supply are accurate, and reflect APP for any relevant reduced or nil pay period.

Part D Please use the contact details below to contact Pension Services	
Administration forms should be returned to:	lgps.forms@surreycc.gov.uk (via Egress Switch)
Any questions should be sent to:	myhelpdeskpensions@surreycc.gov.uk
You can phone the Helpdesk between 9am and 4pm	0300 200 1031
Address:	Pension Services, Surrey County Council, Room 243 County Hall, Penrhyn Road, Kingston upon Thames KT1 2DN
IMPORTANT Please do not email administration forms or queries directly to a member of the pensions team as it will not be possible to access your message when that team member is out of the office. Please use the contact details above.	