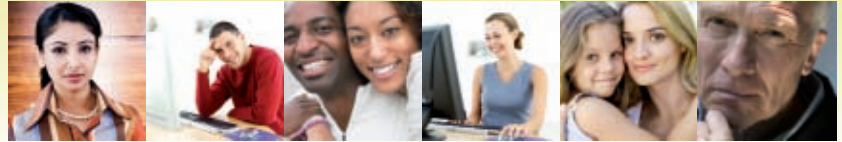


A brief guide to your pension scheme



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lgps

the local government pension scheme



Do you have questions about your pension?

- **What are the benefits of contributing to the pension scheme?**
- **What benefits do I get now as opposed to when I retire?**
- **How is my pension calculated?**
- **What protection does my family receive?**
- **How much will it cost me?**
- **What am i saving?**
- **Is it true my employer pays too?**
- **Do i receive tax incentives and benefits?**

This guide has been put together to answer your questions and outline the benefits that you receive by contributing to an Local Government Pension Scheme (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 lower National Insurance contributions for most people under **State pension age**.

And your employer pays in too - the scheme is provided by your employer who meets the balance of the cost of providing your benefits in the LGPS.

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

A secure pension - the benefits you get when you retire are based on the length of your membership in the scheme and your final year's pay. The pension you build up during your employment keeps pace with your pay rises. After you retire, your pension keeps pace with cost of living increases.

Tax-free cash - you have the option to exchange part of your pension for some tax-free cash on your retirement.

Peace of mind - your family enjoys financial security, with immediate life cover and pension for your husband, wife, civil partner or nominated co-habiting partner and eligible children in the event of your death and, if you ever become seriously ill, you could receive immediate ill health benefits.

Early Retirement - you can choose to retire from age 60 and receive your benefits immediately, although they may be reduced for early payment. It is also possible to retire from age 55 and receive your benefits immediately, provided you have your employers consent or you are made redundant or retire in the interest of business efficiency.



Flexible Retirement - if you reduce your hours or move to a less senior position at or after the age of 55 you can, provided your employer agrees, draw some or all of the benefits you have built up, helping you ease into retirement, although your benefits may be reduced for early payment.

Options to pay extra - you can boost your pension by paying more contributions. You get tax relief on these too.

The Scheme

This is a short description of the conditions of membership and main Scheme benefits that apply if you pay into the LGPS on or after 1 April 2008.

What kind of scheme is it?

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972 and is contracted out of the State Second Pension scheme (S2P). The LGPS is a qualifying scheme under the automatic enrolment provisions of the Pension Act 2008. The benefits under the Scheme are based on the length of your membership and your final salary. It is very secure because the benefits are set out in law.

Who can join?

The LGPS covers Local Government and other organisations that have chosen to participate in it. To be able to join the LGPS you need to be under age 75 and if you are employed by a designating body, such as Town or Parish Council, or an **admitted body**¹, you can only join if your employer nominates you for membership of the Scheme. Police, operational firefighters and , in general teachers are not allowed to join.

If you opt out of the LGPS then:

- On the date your employer is required to comply with the automatic enrolment provisions under the Pensions Act 2008, your employer will **automatically enrol** you back into the LGPS provided at that time you are aged 22 or more and under **State pension age** and you earn more than £8,105 a year in the job you've opted out from, or
- If on the date your employer is required to comply with automatic enrolment provisions under the Pensions Act 2008, you are under 22 or earning £8,105 or less a year in the job you opted out from, your employer will **automatically enrol** you back into the LGPS in that job.
- ◇ From the day you reach age 22 provided you are earning more than £8,105 a year in that job at that time, or
- ◇ From the beginning of the pay period you earn more than £8,105 for the first time in that job provided you are aged 22 or more and under **State pension age** at that time.

¹An admitted body is an employer that chooses to participate in the Scheme under an admission agreement. These tend to be employers such as charities and contractors.

Your employer must notify you if this happens. You would then have the right to opt out of the LGPS.

If you stay opted out your employer will normally **automatically enrol** you back into the LGPS approximately every 3 years from the date they have to comply with the automatic enrolment provisions

What do I pay?

Your contribution rate depends on how much you're paid but it will be between 5.5 and 7.5% of your pensionable pay. The rate you pay depends on which pay band you fall into².

If you work part-time, your rate will be based on the whole-time pay rate for your job, although you will only pay contributions on the pensionable pay you actually earn.

Here are the pay bands that apply from April 2012.

If your Whole-Time pay rate is:	You pay a contribution rate of:
£0 - 13,500	5.5%
£13,501 - £15,800	5.8%
£15,801 - £20,400	5.9%
£20,401 - £34,000	6.5%
£34,001 - £45,500	6.8%
£45,501 - £85,300	7.2%
>£85,300	7.5%

The pay band ranges will be increased each April in line with the cost of living.

Do I Get Tax Relief

As a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your pay and you will be contracted out of the State Second Pension Scheme (S2P). Whilst you are a member of the LGPS you will, prior to State Pension Age, pay reduced National Insurance contributions.

²The contribution rate for those manual workers who joined the Scheme before 1 April 1998 and were protected to pay contributions at a rate of 5% will be brought into line with all other Scheme members on a phased basis by 1 April 2011.

Does my employer contribute?

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

Can I pay more to increase my benefits?

You can pay extra to increase your retirement benefits and/or those for your dependants. You can do this either by paying additional contributions to buy extra LGPS pension, by making payments to the Scheme's Additional Voluntary Contributions (AVC) arrangement, or by making payments to a personal pension, stakeholder pension or Free-standing AVC scheme of your own choice.

Can I transfer pension benefits into the LGPS?

Generally speaking, benefits that you have previously accrued in the LGPS or in other pension arrangements can be transferred into the LGPS.

An option to transfer must be made within twelve months of joining or such longer period as your employer allows.





If you start a job in which you are eligible for membership of the Scheme, you will be bought into the scheme, unless your contract of employment is for less than 3 months, in which case you can opt to join by completing an application form. If you are brought into the scheme you have the right to opt out. You cannot complete an opt out form until you have started your employment.

How do I ensure that I have become a member of the LGPS?

On joining the LGPS relevant records will be set up and an official notification of your membership of the LGPS will be sent to you. **You should check your pay slip to make sure that pension contributions are being deducted.**

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

You can leave the LGPS at any time on or after your first day of eligible employment by giving your employer notice in writing. If you opt-out, you can opt back into the Scheme provided at that time you are under 75. You may wish to obtain independent financial advice before you make a decision to opt-out of the LGPS.

What if I'm already receiving an LGPS pension - will it be affected if I join again?

If you are re-employed in Local Government or by an employer who offers you membership of the LGPS, you must tell the LGPS Fund that pays your pension about your new position, regardless of whether you join the scheme in your new position or not.

If you are in receipt of a LGPS ill health pension, which is of the type that is stopped if you are in gainful employment, your pension may be affected and you must inform the employer who awarded you that pension that you have taken up further employment. In either case a check will then be made to see whether the pension you are being paid should be reduced or stopped.

Changes to the LGPS are planned for 2014, for details see the national LGPS website at: www.lpgs.org.uk

Retirement

To be entitled to LGPS retirement benefits you have to have at least three months membership or have transferred other pension rights into the LGPS, or already have a deferred benefit in the LGPS.

When can I retire?

You can retire and receive your LGPS benefits in full once you have reached age 65. The Scheme also makes provisions for the early payment of your LGPS benefits.

What are my LGPS retirement benefits?

When you retire, you will receive a pension and have the option to take part of your pension as a tax-free lump sum. If you joined the LGPS before 1 April 2008, your standard benefit package will include an automatic tax-free lump sum as described in The Benefits section below.

Can I retire early?

You can elect to retire and receive your LGPS benefits from age 60 onwards. You may be able to retire and receive your LGPS benefits from age 55, but only if your employer agrees. Employer's consent to draw benefits before age 60 is an employer discretion. Your employer must set out their policy on this in a published statement.

Are there any penalties for retiring early and drawing immediate benefits?

If you retire before age 65 your LGPS benefits, initially calculated as set out in The Benefits section below, will be reduced to take account of their early payment and the fact that your pension will be payable for longer.

However, if you joined the LGPS before 1 October 2006 and would have at least 21 years Scheme membership if you stayed in the Scheme to age 65 you will:

- a) have some protection from the reduction in respect of benefits you build up in the Scheme up to 31 March 2016 if you will be 60 by then, or
- b) in any other case, have some protection from the reduction in respect of benefits you build up in the Scheme up to 31 March 2008 (and, if you will be 60 between 1 April 2016 and 31 March 2020, you may have some further protection on a sliding scale in respect of benefits you build up between 1 April 2008 and 31 March 2020 provided your combined age and Scheme membership, both in whole years, would be 85 or more by 31 March 2020).

What if my employer retires me on grounds of redundancy?

If you are aged 55 or over, you will be entitled to the immediate unreduced payment of your LGPS benefits.

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

If you have to leave work at any age due to permanent ill health the Scheme provides a tiered ill health retirement package. This may give you benefits, paid straight away, and which could be increased if you are unlikely to be capable of gainful employment within 3 years of leaving.

What if I want to have a gradual move into retirement?

This is known as flexible retirement. From age 55, if you reduce your hours or move to a less senior position, and provided your employer agrees, you can draw some or all the pension benefits you have built up – helping you ease into retirement.

If you take flexible retirement before age 65, your benefits may be reduced to take account of their early payment unless your employer agrees to waive the reduction in whole or in part.

You can continue paying into the LGPS on your reduced hours or in your new role, building up further benefits in the Scheme. Flexible retirement is at the discretion of your employer and they must set out their policy on this in a published statement.

What if I carry on working after age 65?

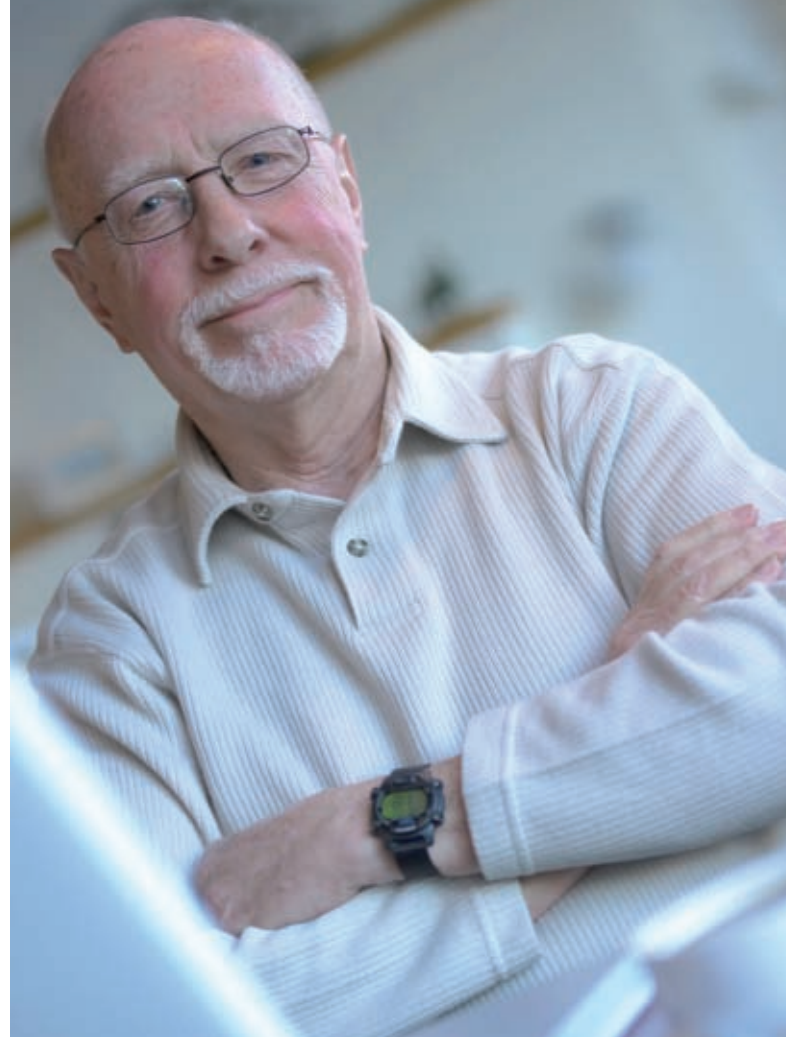
If you carry on working after age 65 you will continue to pay into the Scheme, building up further benefits. We will pay your pension when you retire, or when you reach the eve of your 75th birthday, or if you take flexible retirement with your employer's consent, whichever occurs first. If you draw your pension after age 65, it will be increased to reflect the fact that it will be paid for a shorter time. Your pension has to be paid before your 75th birthday.

The Benefits

How much will my pension be?

Your pension is based on your length of total membership in the Scheme and the pensionable pay you receive in, normally, your final year of service. If you are part-time, your Scheme membership will count at its part-time length when working out your pension and your final pay is increased to what you would have received had you been full-time.

The examples alongside show how benefits based on membership in the LGPS built up at any time after 31 March 2008 are calculated. For membership you build up after 31 March 2008 you receive an annual pension based on 1/60th of your final year's pensionable pay.



Example of pension and lump sum option calculation for membership after 31 March 2008.

On retirement at age 65, a Scheme member has 20 years total membership and has a final pay of £15,000.

Their annual pension is:

$$20 \times 1/60 \times £15,000 = £5,000$$

If they decide to give up £1,000 pension for a cash lump sum, then:

Their reduced annual pension is:

$$£5,000 \text{ less } £1,000 = £4,000$$

And they will get a tax-free lump sum of:

$$£1,000 \times 12 = £12,000$$

If the same employee had worked half-time (i.e. 20 years at half-time = 10):

Their annual pension would be:

$$10 \text{ years} \times 1/60 \times £15,000 = £2,500$$

If they decide to give up £500 pension for a cash lump sum, then:

Their reduced annual pension is:

$$£2,500 \text{ less } £500 = £2,000$$

And they would get a tax-free lump sum of:

$$£500 \times 12 = £6,000$$

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

You can exchange part of your annual pension for a one off tax-free cash payment. You can take up to 25% of the capital value of your pension benefits as a lump sum⁴ and you will receive £12 lump sum for each £1 of pension given up. As long as this does not exceed £375,000 (2012/13 figure) less the value of any other pension rights you have in payment. Details of the maximum tax-free cash payment you can take will be given to you shortly before your retirement. It is at that time that you need to make a decision.

If you joined the LGPS before 1 April 2008

Your benefits for membership before 1 April 2008 are calculated differently. For LGPS membership you have built up to 31 March 2008 you receive an annual pension based on 1/80th of your final year's pensionable pay and an automatic tax-free lump sum of three times your pension.

Like the pension, the automatic lump sum is based on your LGPS membership before 1 April 2008 and your final year's pensionable pay. You can also exchange part of your pre April 2008 pension for extra lump sum as described above.

⁴ Providing the total lump sum does not exceed £450,000 (2010/11 figure) less the value of any other pension rights you have in payment.

Taking AVCs as cash

If you pay additional voluntary contributions (AVCs) via the LGPS you may elect to take up to 100% of the accumulated fund in your AVC account as a tax free lump sum if you draw it at the same time as your LGPS pension benefits, provided when added to the LGPS lump sum it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund)⁴ and the total lump sum does not exceed £375,000 (2012/13 figure) less the value of any other pension rights you have in payment. Details of this option will be given to you shortly before your retirement.

What pay is used to calculate retirement benefits?

Your retirement benefits will normally be calculated on your final year's pensionable pay. If you're part-time, your final pay is increased to what you would have received had you been full-time.

However, your benefits can be calculated on one of the two previous years' pay if better and, if your pay is reduced, or increases to your pay are restricted, in your last 10 years of continuous employment with your employer, you could have the option to have your benefits based on the average of any 3 consecutive years in the last 13 years (ending on a 31 March).





Will my pension increase?

The LGPS provides statutory pensions increase. This means that if you retire on or after age 55, your pension will be increased each year in line with Orders made under the Pensions (Increase) Act 1971. If you retire before age 55, the accumulated effect of inflation since you retire will be added to your pension when you reach age 55. Ill health pensions are increased each year in line with Orders made under the Pensions (Increase) Act 1971 regardless of age.

Protection for your Family

What benefits will be paid if I die?

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

- A widow's, widower's, civil partner's⁵ or, subject to the certain qualifying conditions, a nominated co-habiting partner's pension equal to 1/160th of your final year's pay times the total membership you would have built up in the LGPS to age 65⁶. However, a nominated co-habiting partner's pension will be less than this if you have membership in the Scheme before 6 April 1988 and you have not opted to pay additional contributions so that it counts towards a nominated co-habiting partner's pension.

⁵ A civil partnership is a relationship between two people of the same sex ("civil partners") which is formed when they register as civil partners of each other.

- Pensions for eligible children
- A lump sum death grant of 3 years pay. If you are part-time, it's 3 years part-time pay.

If you are part-time and die in service and you have reduced your hours as a result of a condition or illness that, in the opinion of an independent occupational health physician, subsequently results in your death, then such a reduction in your hours is disregarded both in calculating the pay to be used for the lump sum death grant and in calculating the membership for any survivor's and children's pension payable.

If you die after retiring on pension, a widow's, widower's, civil partner's or, subject to the certain qualifying conditions, a nominated co-habiting partner's pension and pensions for eligible children are payable.

A widow's or widower's pension is equal to 1/160th of your final year's pay times the total membership your pension is based on unless you marry after retirement in which case it could be less.

A civil partner's pension is equal to 1/160th of your final year's pay times the total membership your pension is based on.

A nominated co-habiting partner's pension is equal to 1/160th of your final year's pay times your membership in the Scheme from 6 April 1988, plus any of your membership before 6 April 1988 that you have paid additional contributions for so that it counts towards a nominated co-habiting partner's pension.

A death grant is payable if less than 10 years pension has been paid and you are under age 75 at the date of death, in which case the balance of 10 years of pension is paid as a lump sum.

To nominate a co-habiting partner your relationship has to meet certain conditions laid down by the LGPS. If you wish to make a nomination you can obtain a form from the Pensions Section.

The LGPS allows you to say who you would like any death grant to be paid to by completing a form available from the Pensions Section. The Scheme's administering authority, however, retains absolute discretion when deciding who to pay any death grant to.

You can find out how to contact the Pensions Section at the end of this Guide.

⁶ If you are part-time, membership to age 65 is calculated assuming you had remained part-time through to then.

Leavers without an immediate entitlement to benefits

Refunds of Contributions

If you leave with less than three months total membership, have not brought a transfer into the LGPS and do not already have a deferred benefit in the LGPS in England or Wales, you may take a refund of your contributions, less a deduction for tax and the cost, if any, of buying you back into the State Second Pension Scheme (S2P).

Deferred benefits

If you leave before age 65 and your total membership is three months or more or you have transferred other pension rights into the LGPS, or you already have a deferred benefit in the LGPS in England or Wales, you will be entitled to deferred benefits within the LGPS.

Your deferred LGPS benefits will be calculated as described in The Benefits section using the length of your membership up to the date that you left the Scheme. During the period of deferment your pension benefits will be increased each year in line with Orders made under the Pensions (Increase) Act 1971.

Unless you decide to transfer your deferred benefits to another pension scheme, they will normally be paid at age 65, but:

- they may be put into payment earlier, and in full, in the event of permanent ill health if you are unlikely to be capable of gainful employment within 3 years of applying for the benefit or, if earlier, before age 65; or
- you can, if you wish, elect to receive your deferred benefits early from age 60 onwards; or
- you may be able to elect to receive your deferred benefits from age 55, but only if your former employer agrees. You must have your former employer's consent to draw your benefits before age 60; or
- you can, if you wish, elect not to draw your deferred benefits at age 65 and defer drawing them till some time later (although they must be paid by age 75).

Benefits paid early, other than on 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. Conversely, benefits paid after age 65 will be increased.

If you die before your deferred benefits come into payment, a lump sum death grant equal to 5 years' pension will be paid. The LGPS allows you to say who you would like any death grant to be paid to by completing a form. This form is available from the Pensions Section.

The Scheme's administering authority, however, retains absolute discretion when deciding who to pay any death grant to.

A widow's, widower's, civil partner's or, subject to the certain qualifying conditions, a nominated co-habiting partner's pension and pensions for eligible children are payable.

A widow's or widower's pension is equal to 1/160th of your final year's pay times the total membership your pension is based on unless you marry after retirement in which case it could be less. A civil partner's pension is equal to 1/160th of your final year's pay times the total membership your pension is based on.

A nominated co-habiting partner's pension is equal to 1/160th of your final year's pay times your membership in the Scheme from 6 April 1988, plus any of your membership before 6 April 1988 that you have paid additional contributions for so that it counts towards a nominated co-habiting partner's pension.

To nominate a co-habiting partner your relationship has to meet certain conditions laid down by the LGPS. If you wish to make a nomination you can obtain a form from the Pensions Section.





Transferring your benefits

If you leave the Scheme at least one year before age 65 and you are entitled to deferred benefits you may transfer the cash equivalent of your pension benefits into a new employer's scheme (if they are willing and able to accept it), into a personal or stakeholder pension scheme, or into a 'buy-out' insurance policy.

The method of valuing the cash equivalent of your pension rights complies with the requirements of the Pension Schemes Act 1993 and any value quoted is guaranteed for three months.

Alternatively, if you return to employment with an employer participating in the LGPS, then you may elect for the pension rights that you have built up to be added to your new period of membership in the Scheme. Such an election must be made within twelve months of re-joining the Scheme or such longer period as your employer allows.

Help with Pension Problems

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

If you are in any doubt about your benefit entitlements, or have a problem or question about your LGPS membership or benefits, please contact the Pension Section at the address shown at the end of this short guide. They will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible. If you are still dissatisfied with any decision made in relation to the Scheme you have the right to have your complaint independently reviewed under the Internal Disputes Resolution Procedure and, as the Scheme is well regulated, there are also a number of other regulatory bodies that may be able to assist you. The various procedures and bodies are detailed below.

Internal Disputes Resolution Procedure

In the first instance you should write to the person nominated by the body who made the decision about which you wish to appeal. You must do this within six months of the date of the notification of the decision or act or omission about which you are complaining, or such longer period as the nominated person may allow.

The nominated person will consider your complaint and notify you of his/her decision. If you are dissatisfied with that person's decision, (or their failure to make a decision), you may apply to the Scheme's administering authority to have it reconsidered.

A leaflet explaining the Internal Disputes Resolution Procedure in detail, including relevant time limits, is available on request from the Pension Section.

The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with any pensions query they may have or any difficulty which they cannot resolve with their scheme administrators. TPAS can be contacted at:

11 Belgrave Road
London, SW1V 1RB
Telephone 0845 601 2923

Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved after the intervention of TPAS, an application can be made, within three years of the event, to the Pensions Ombudsman for an adjudication.

The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to the appropriate Court on a point of law). Matters where legal proceedings have already started cannot be investigated. The Pensions Ombudsman can be contacted at:

11 Belgrave Road
London, SW1V 1RB
Telephone 0207 630 2200

The Pensions Regulator

This is the regulator of work based pension schemes. The Pensions Regulator has powers to protect members of work-based pension schemes and a wide range of powers to help put matters right, where needed.

In extreme cases, the regulator is able to fine trustees or employers, and remove trustees from a scheme. You can contact the Pensions Regulator at:

Napier House
Trafalgar Place
Brighton, BN1 4DW
Telephone 0870 6063636





How can I trace my pension rights?

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 have to register if the pension scheme has current members contributing into their scheme or people expecting benefits from the scheme. If you need to use this tracing service please write to:

The Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA
Telephone 0845 6002 537

Also, don't forget to keep your pension providers up to date with any change in your home address.

Further information and disclaimer

The Government may make changes to overriding legislation and, after consultation with interested parties, may make changes, in the future to the LGPS.

This short guide cannot cover every personal circumstance. For example, it does not cover unenhanced ill health retirement benefits. Nor does it cover rights that apply to a limited number of employees e.g. those whose total pension benefits exceed the Lifetime Allowance (£1.5 million in 2012/13), those whose pension benefits increase in any tax year by more than the Annual Allowance (£50,000 in 2012/13) or those who are subject to a special annual allowance tax charge, those to whom protected rights apply, or those whose rights are subject to a Pension Sharing Order following divorce or dissolution of a civil partnership.

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.



For further information please contact:

Ealing Pensions Team
Dexter House, 2 Royal Mint Court
London EC3N 4LP

Tel: 020 7369 6115

Email: ealing@lpfa.org.uk

Website: www.yourpension.org.uk

