

LOCAL
GOVERNMENT
PENSION
SCHEME
REGULATIONS
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Employees Scheme Guide - 2

YOUR
PENSIONS
CHOICE



Pensions Section,
Gloucestershire County Council,
Shire Hall, Gloucester GL1 2TG
Telephone: (01452) 426677
Fax: (01452) 425862
Email: pensions@gloucestershire.gov.uk
website: www.gloucestershire.gov.uk/pensions



Your Pensions Choice

In this leaflet we look at your pensions choice, who can join the Local Government Pension Scheme (LGPS) and the cost of joining.

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at the end of this leaflet.

Your retirement is a goal to look forward to. However, if your retirement is to meet your expectations, you need to plan for your income in retirement.

Your retirement income and benefits, over and above the basic flat-rate State pension, will in general be provided by the State Second Pension (S2P), a personal pension plan, a stakeholder pension scheme or the Local Government Pension Scheme. These are described briefly below.

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a statutory, funded pension scheme. As such it is very secure because its benefits are defined and set out in law.

Highlights of the LGPS are:

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. And 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 a 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's also possible to retire from age 55 and receive your benefits immediately, provided you have your employer's consent or you are made redundant or retired in the interests of business efficiency.

Flexible retirement–

if you reduce your hours or move to a less senior position at or after age 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.

Also, as a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your pay and, up to **State pension age**, you will also pay lower National Insurance contributions on earnings between the **Lower Earnings Limit** and the **Upper Accruals Point**, unless you have opted to pay the married woman's/widow's reduced rate of National Insurance. The LGPS is **contracted-out** of the **State Second Pension (S2P)**.

State Second Pension (S2P)

The State Second Pension (S2P) is part of the State Pension payable in addition to the flat rate Old Age Pension. Benefits are paid by the Department for Work and Pensions (the old DSS) and cannot be paid before **State pension age**. Initially, S2P was an earnings related pension but from April 2009 it began building up as a flat rate pension, achieving full flat rate accrual by around 2030.

Personal Pension Plans and Stakeholder Pension Schemes

Various institutions, such as banks, building societies and life assurance companies provide and administer personal pensions and stakeholder pension schemes. Your chosen organisation would invest your contributions and when you retire the investments are cashed in and the sum of money realised is used to buy retirement benefits from the insurance market. Your benefits are therefore based on investment returns and are not guaranteed or linked to your earnings. The age from which you may receive them will vary according to the plan.

Joining the Local Government Pension Scheme (LGPS)

Who can join?

The LGPS is offered by **local government** employers and by other organisations that have chosen to participate in it.

To be able to join the LGPS you need to be under age 75 and work for an employer that offers membership of the scheme. If you are employed by a **designating body**, such as a town or parish council, or by a non-local government organisation which participates in the LGPS (an **admission body**), you can only join if your employer nominates you for membership of the scheme.

Police officers, operational firefighters and, in general, teachers and employees eligible to join another statutory pension scheme (such as the NHS Pension Scheme) are not allowed to join the LGPS.

If you start a job in which you are eligible for membership of the LGPS you will be brought 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.

Can I join the LGPS if I already have a personal pension or stakeholder pension scheme?

If you currently contribute to a personal pension plan or stakeholder pension scheme and decide to join the LGPS, you can, if you wish, still continue to make your own contributions to the personal pension or stakeholder pension scheme or you can stop paying into it and consider transferring it into the LGPS.

You can, if you wish, pay up to 100% of your UK total taxable earnings in any one tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a “tax relief at source” arrangement, such as a personal pension or stakeholder pension scheme) and be eligible for tax relief on those contributions.

Under HM Revenue and Customs rules there are controls on the pension savings you can have before you become subject to a tax charge – most people will not be affected by these controls. To find out more, see the leaflet on **Tax Controls and Your LGPS Benefits**.

What happens if I have a contract for less than 3 months which is subsequently extended?

If you have a contract of employment for less than 3 months which is subsequently extended so that the total period is for 3 months or more, you will (provided you are otherwise eligible to join the scheme and have not already opted to join the scheme under that contract) be brought into the scheme upon the extension of the contract.

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?

If you decide the LGPS is not for you, you can leave the LGPS at any time on or after your first day of eligible employment by giving your employer notice in writing, although you will only be entitled to a refund of contributions if you leave the scheme within 3 months of joining. If you opt-out, you can opt back into the scheme provided at that time you are under age 75. You might, however, want to take independent financial advice before opting out.

If you opt out of the LGPS you will generally have the same options as anyone leaving their job before retirement except you cannot draw deferred benefits or, normally, transfer any pre 6 April 1988 benefits to another pension scheme unless you have left your job. You can find details of these options in the section on **Leaving Your Job Before Retirement**.

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 £8105 a year in the job you've opted out from, or
- if on the date your employer is required to comply with the automatic enrolment provisions under the Pensions Act 2008, you are under age 22 or earning £8105 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 £8105 a year in that job at that time, or
 - from the beginning of the pay period you earn more than £8105 for the first time in that job provided you are aged 22 or more and under **State pension age** at that time.

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.

Contributions

What do I pay?

Your contribution rate depends on how much you are paid but it's currently between 5.5% and 7.5% of your pay. The rate you pay depends on which pay band you fall into. Your employer decides which pay band you fall into.

Here are the pay bands and the rates that apply from April 2012.

Standard pay band table	
If your Whole Time Pay Rate is:	You pay a contribution rate of:
Up to £13,500	5.5%
£13,501 to £15,800	5.8%
£15,801 to £20,400	5.9%
£20,401 to £34,000	6.5%
£34,001 to £45,500	6.8%
£45,501 to £85,300	7.2%
More than £85,300	7.5%

For example, someone who works full-time at a pay rate of £16,000 would pay a contribution rate of 5.9%

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

If you work part-time hours your contribution rate is based on the whole-time pay rate for your job, although you will only pay contributions on the pay you actually earn. For

example, someone who works half-time with an actual pay of £10,000 a year will pay a contribution rate of 5.9% as their whole-time pay rate is £20,000.

If you work term time weeks in a role that requires this type of work pattern (e.g. in a school) your contribution rate is based on the whole-time pay rate for term time working, although you will only pay contributions on the pay you actually earn. For example, someone who works full-time hours for 44 weeks a year, with an actual pay of £15,000 will pay 5.8%. If they were to work half-time for 44 weeks with an actual pay of £7,500, then they would still pay 5.8% as their whole-time rate for term time working would still be £15,000.

You pay contributions on your normal salary or wages plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

If you have no contractual hours of employment, contributions are deducted on all your pay up to the full-time hours for your job.

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

Your contributions are very secure. As the LGPS is set up by Statute, payment of benefits to scheme members is guaranteed by law.

What does my employer pay?

Your employer pays the balance of the cost of providing your benefits after taking into account investment returns. Every three years, an independent actuary calculates how much your employer should contribute to the scheme. The amount will vary, but generally the present underlying assumption is that employees contribute approximately one third of the scheme's costs and the employer contributes the remainder.

Do I receive tax relief on my contributions?

The LGPS is fully approved by HM Revenue and Customs, which means that you receive tax relief on your contributions. To achieve this, your contributions are deducted from your salary before you pay tax. So, for example, if you pay tax at the rate of 20%, every £1 that you contribute to the scheme only costs you 80p net. There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increase in any one year by more than the annual allowance of £50,000 you may have to pay a tax charge. Most people will not be affected by the annual allowance. To find out more, see the leaflet on **Tax Controls and Your LGPS Benefits**.

What about my National Insurance contributions?

As the LGPS is **contracted out** of the **State Second Pension (S2P)** you will, up to **State pension age**, pay reduced National Insurance contributions on your earnings

between the **Lower Earnings Limit** and the **Upper Accruals Point**, unless you have opted to pay the married woman's/widow's reduced rate of National Insurance.

Can I make extra contributions to increase my benefits?

You can increase your benefits and / or those for your dependants by paying additional contributions to buy extra LGPS pension, or by making payments to the scheme's Additional Voluntary Contributions (AVC) arrangement, or by paying contributions into a personal pension, stakeholder pension or Free-standing AVC scheme of your own choice. These options are explained in more detail in the leaflet on **Increasing your Benefits**.

Is there a limit to how much I can contribute?

At the present time there is no overall limit on the amount of contributions you can pay (although there is a limit on the extra LGPS pension you can buy and on the amount you can pay into the scheme's AVC arrangement). However, tax relief will only be given on contributions up to 100% of your UK taxable earnings (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme). Additionally, under HM Revenue and Customs rules there are controls on the pension savings you can have before you become subject to a tax charge - – most people will not be affected by these controls. To find out more, see the leaflet on **Tax Controls and your LGPS Benefits**.

I'm already paying into the LGPS in my other job – can I also join in this job?

If you are already paying into the LGPS and you get another job as well where your employer offers you membership of the scheme, you can be a member of the LGPS in both positions, provided you are eligible to join (see the paragraph above on **Who can join?**). You will build up two separate sets of pension rights and receive two separate retirement packages.

If you leave one of the jobs before leaving the other, you will have the choice of joining the two sets of pension rights together. Details will be provided by the Pensions Section at the time.

Pension rights built up as a councillor or mayor in England or Wales cannot be joined with rights built up as an employee in England or Wales and vice versa.

What about my other non- LGPS pensions?

If you have paid into another non-LGPS pension arrangement, you may be able to transfer your previous pension rights into the LGPS (provided you are not already drawing them as a pension). You only have 12 months from joining the LGPS to opt to transfer your previous pension rights, unless your employer allows you longer. This is an employer **discretion**; you can ask your employer what their policy is on this matter.

The Pensions Section can advise you of their process for transferring previous pension rights into the LGPS.

Transferring your pension rights is not always an easy decision to make, and you may wish to seek the help of an independent financial adviser. For more information, see the leaflet on **Transferring Pension Rights into the LGPS**.

What if I've been a member before and can now re-join the LGPS?

If you re-join the LGPS, you can normally transfer your previous LGPS pension rights to your new membership, enabling you to enjoy benefits based upon your entire membership and linked to your final pay in your new job.

They will not be transferred automatically. You only have 12 months from re-joining the LGPS to opt to transfer your previous LGPS pension rights, unless your employer allows you longer. This is an employer **discretion**; you can ask your employer what their policy is on this matter.

Transferred membership from the LGPS in England or Wales will normally count on a day for day basis, but transferred membership from the LGPS in Scotland or Northern Ireland may not buy day for day membership.

If your new job is less well paid, you will need to decide whether it may be better not to join the benefits together.

If you wish to transfer your previous LGPS pension rights you should contact the Pensions Section as soon as possible to find out about this and about the matters you will need to consider in making your decision.

Pension rights built up as a councillor or mayor in England or Wales cannot be joined with rights built up as an employee in England or Wales and vice versa.

I'm already receiving an LGPS pension – will it be affected?

If you are re-employed in **local government** or by an employer who offers 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 an ill health pension which is of the type that is stopped if you are in any gainful employment, your pension may be affected and you must inform the employer who awarded you that pension if you take up employment (whether in local government or elsewhere). In either case, a check will then be made to see whether the pension you are being paid should be reduced or stopped.

Forms to fill in:

Death benefit forms

If you die in service, a **lump sum death grant** of three times your final year's pay is paid no matter how long you have been a member of the LGPS. For part-time employees, it is three times your actual part-time pay (disregarding any reduction in your pay if your hours had been reduced due to your illness). Your administering authority has absolute **discretion** when deciding on who to pay any death grant to. 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 an expression of wish form. An 'Expression of Wish for Death Grants' form is available for download on our website, or alternatively you can obtain a copy from the Pensions Section.

You can nominate a co-habiting partner, of either opposite or same sex, to receive a survivor's pension on your death, providing your relationship meets certain conditions laid down by the LGPS. You can find out about these conditions from the leaflet on **Life cover – protection for your family**. If this applies to you and you wish to make a nomination, the 'Nominated Cohabiting Partner' form is available for download

on our website, or alternatively you can obtain a copy from the Pensions Section.

More information

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

**The Pensions Section,
Gloucestershire County Council,
Shire Hall
Westgate Street,
Gloucester, GL1 2TG.**

Pension helpline phone number: 01452 426677

e-mail: pensions@gloucestershire.gov.uk

website: www.gloucestershire.gov.uk/pensions

The national web site for members of the LGPS can be found at www.lgps.org.uk

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the leaflet **Help with Pension Problems**.

Disclaimer

The information in this leaflet applies to individuals who were contributing members of the Local Government Pension Scheme on 1 April 2008 or who have since joined. The leaflet is for employees in England or Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication in October 2012. The Government may make changes to overriding legislation and, after consultation with interested parties, may make changes in the future to the LGPS. **Changes to the LGPS are planned for 2014**, for details see the national LGPS web site at www.lgps.org.uk

This leaflet is for general use and cannot cover every personal circumstance nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

Some terms we use:

Admission Body

An admission 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.

Civil Partnership

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.

Contracted out

The LGPS was contracted out of the **State Earning Related Pension Scheme (SERPS)** and is contracted out of the **State Second Pension (S2P)**. This means that, prior to **State pension age**, you pay reduced National Insurance contributions between the **Lower Earnings Limit** and the **Upper Accruals Point** (unless you have opted to

pay the married woman's/widow's reduced rate of National Insurance). The LGPS guarantees to pay you a **Guaranteed Minimum Pension (GMP)** for being contracted out of the **State Earning Related Pension Scheme (SERPS)** and, for membership after 5 April 1997, the LGPS must meet a minimum Reference Scheme test prescribed under the Pensions Act 1995.

Designating Body

Designating bodies are bodies which can designate employees for access to the scheme. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, federated schools, Transport for London, and the Children and Family Court Advisory and Support Service, among others, can be designated for membership of the scheme.

Discretion

This is the power given by the LGPS to enable your employer or your administering authority to choose how they will apply the scheme in respect of certain provisions. Under the LGPS your employer or your administering authority are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review. You may ask your employer or your administering authority what their policy is in relation to a discretion. Your administering authority is Gloucestershire County Council.

Eligible children

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

- be under 18 and be wholly or mainly dependent on you, or
- be aged 18 or over and under 23, be dependent on you, and be in full-time education or undertaking vocational training (although a dependant child who commences full-time education or vocational training after the date of your death may be treated as an eligible child up to age 23), or
- in some cases, a dependant child of any age who is disabled may be classed as an eligible child.

In all cases, the children must have been born before or within a year of your death.

Guaranteed Minimum Pension (GMP)

The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been **contracted out** of the **State Earning Related Pension Scheme (SERPS)** at any time between 6 April 1978 and 5 April 1997. This is called the Guaranteed Minimum Pension (GMP).

Local Government

The term local government in this leaflet also covers police and fire civilian staff, the Mayor of London and members of the London Assembly, the Chairman of the London Transport Authority, the Chair of the Olympic Park Legacy Company, employees of a National Probation Service local board or Probation Trust, a registration officer, a coroner, a rent officer, employees of a valuation tribunal, employees of a passenger transport authority, employees of the Environment Agency, employees of the Greater London Authority, non-teaching employees of an Academy employer, an Education Action Forum or a Further or Higher Education Corporation.

Lower Earnings Limit

This is the amount of pay that you can receive before you pay any National Insurance contributions. The Lower Earnings Limit for 2012/2013 is £107 per week. It is usually increased annually by Parliament.

Nominated co-habiting partner

A co-habiting partner is someone you are living with as if you are married or in a civil partnership. To be able to nominate a co-habiting partner, of either opposite or same sex, to receive a survivor's pension on your death, 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 the leaflet on **Life Cover – Protection For Your Family**.

SERPS (State Earnings Related Pension Scheme)

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically **contracted out** of SERPS, and most paid lower national insurance contributions as a result. SERPS was replaced by the **State Second Pension (S2P)** from 6 April 2002.

State pension age

This is the earliest age you can receive the state basic pension. State pension age is currently age 65 for men. State pension age for women is currently being increased to be equalised with that for men. The Government has announced that it will speed up the pace of State pension age equalisation for women, so that women's State pension age will reach 65 by November 2018.

State pension age equalisation timetable for women

Date of Birth	New State Pension Age
Before 6 April 1950	60
6 April 1950 - 5 April 1951	In the range 60 - 61
6 April 1951 - 5 April 1952	In the range 61 - 62
6 April 1952 - 5 April 1953	In the range 62 - 63
6 April 1953 - 5 August 1953	In the range 63 - 64
6 August 1953 - 5 December 1953	In the range 64 - 65

The State pension age will then increase to 66 for both men and women from December 2018 to October 2020.

Increase in State pension age from 65 to 66 for men and women

Date of Birth	New State Pension Age
6 December 1953 - 5 October 1954	In the range 65 - 66
After 5 October 1954	66

Under current legislation the State pension age is due to rise to 67 between 2034 and 2036 and to 68 between 2044 and 2046. However the government has announced plans to revise the legislation so that the date when the State Pension Age rises to 67 is between 2026 and 2028 and that rises above age 67 will be linked to increases in life expectancy.

State Second Pension (S2P)

The State Second Pension (formerly **SERPS**) is the additional state pension, payable from **State pension age** by the Department for Work and Pensions. Initially, S2P was an earnings-related pension but from April 2009 it began building up as a flat rate pension, achieving full flat rate accrual by around 2030.

LGPS members are **contracted out** of S2P and most pay lower national insurance contributions as a result. More information on the State Second Pension (S2P) is available from the DWP Pensions Service.

Upper Accruals Point

This is the amount of pay beyond which you cease to pay the, lower, contracted-out rate of National Insurance contributions. The Upper Accruals Point for 2012/2013 is £770 per week. On earnings above the Upper Accruals Point and up to the Upper Earnings Limit of £817 per week you pay the full 12% National Insurance contribution and on earnings above the Upper Earnings Limit you pay a 2% National Insurance contribution.

Employees in England and Wales – October 2012