



Local Government Pension Scheme (LGPS)

A Short Guide Information Sheet

For Members

April 2009



INVESTOR IN PEOPLE



THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) IN ENGLAND AND WALES

This Scheme is for members of the LGPS except for Councillors

THE NEW LOOK SCHEME 2008

This is a short description of the conditions of membership and main scheme benefits that apply under the LGPS.

What kind of scheme is it?

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. 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 is available to all employees in Local Government, or in other organisations that have chosen to participate in it, except employees who:

- Join either the teachers, police or fire-fighters pension schemes; or
- Employees who have a temporary contract for less than 3 months; or
- Are aged 75 or over; or
- Are a casual¹ employee.

If you start an employment that allows you membership into the LGPS (other than with a Town or Parish Councils), you will automatically become a member of the LGPS, unless you opt not to join.²

If you are employed by a non-local government organisation that offers you membership of the LGPS, your employer will automatically bring you into the scheme unless you are employed by an admitted body in which case you would have to opt to join. You will have the right not to join the Scheme.

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

First, it is important that you complete and return the membership form. On receipt of your form, relevant records will be set up and an official notification of your membership of the LGPS will be sent to you. In addition, you should check your pay slip to ensure that pension contributions are being deducted.

¹Some casual employee's are allowed to join the scheme, contact your employer for confirmation if you can join the LGPS.

²If you have previously opted out you can join, but must elect to do so.

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

You may wish to obtain independent financial advice before you make a decision to opt-out of the LGPS.

You can leave the LGPS at any time by giving your employer notice in writing. If you opt-out once, you can re-join the LGPS. If you opt-out of the LGPS more than once you will only be allowed to re-join at the discretion of your employer.

What do I pay?

Band	Annual salary range	% contribution rate
1	£0-£12,600	5.5%
2	£12,601-£14,700	5.8%
3	£14,701-£18,900	5.9%
4	£18,901-£31,500	6.5%
5	£31,501-£42,000	6.8%
6	£42,001-£78,700	7.2%
7	More than £78,700	7.5%

Your employer will decide the rate of your contribution based on salary ranges. The table above shows the 2009 contribution bands.

If you are part time, the contribution band must relate to the salary range of the whole time equivalent employment.

If you work term time only, then the contribution rate will be allocated according to the whole time term time adjusted pay.

For example a member contracted to 43 weeks per year has a whole time equivalent pay of £20,000.00. The employer will determine that the member will pay contributions under band 3 calculated as: $\text{£}20,000 / 52 \times 43 = \text{£}16,538.46$ therefore paying 5.9%.

Your employer will then collect your percentage contribution from the actual rate of pay you receive.

The values in the annual salary range will be increased each April by the increases to the Retail Price Index. In certain circumstances your employer may reassess your percentage contribution, but this will be determined by your employer.

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 (S2P). For the duration of your membership of the LGPS you will, prior to State Pension Age, pay reduced National Insurance contributions and will not earn any benefits under the S2P.

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 make additional payments to increase your retirement benefits and life cover. You can do this either by:

- Buying additional pension in the LGPS;
- Making payments to the scheme's Additional Voluntary Contributions arrangement. Oxfordshire County Council's AVC provider is Prudential, their contact details can be found on page 10.
- 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 and will buy membership in the LGPS. An option to transfer your pension rights into the LGPS must be made within twelve months of joining or such longer period as your employer allows. This time limit will also generally apply to transfers between employers within the same LGPS fund too.

THE BENEFITS

What are my retirement benefits?

If you have membership in the LGPS before 1 April 2008, your benefits will comprise of an annual pension and a tax free retirement grant.

If you only have membership from 1 April 2008, your benefits will only comprise of an annual pension. However, when you retire, you will have the option to exchange taxable annual pension to get or increase a tax free retirement grant. More details later.

How much will my annual pension be?

Your annual pension is based on your length of total membership in the scheme and the pensionable pay you received in respect of, 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.

For example, if a member of the scheme retired at age 65, has 30 years membership, worked 18¹/₂ hours a week and has an actual salary of £8,200, their benefits would be:

Membership equals 30 years / 37 x 18¹/₂ = 15 years

Final Pay equals £8,200 / 18¹/₂ x 37 = £16,400.

Annual Pension of 15 years x £16,400 / 60 = £4,100.

If you have any membership before 1 April 2008, your annual pension for this period will be based on 1/80th and will also include a tax-free retirement grant. Using the example above, if the member had an additional 10 years membership which was before 1 April 2008, your benefits will be:

Annual Pension

Membership before 1 April 2008

$10 \text{ years} / 37 \times 18^{1/2} = 5 \text{ years} \times \text{£}16,400 / 80 = \text{£}1,025.$

Plus pension after 1 April 2008 of £4,100 Totals £5,125.

Plus there will be a tax-free retirement grant of:

$10 \text{ years} / 37 \times 18^{1/2} = 5 \text{ years} \times \text{£}16,400 \times 3 / 80 = \text{£}3,075.$

Can I have a retirement grant?

Your membership from 1 April 2008 will not build up an automatic tax-free retirement grant. However you can choose to swap some of your annual pension to provide a tax-free retirement grant at retirement. For each £1 of taxable annual pension you give up, you will receive £12 tax free retirement grant.

Generally, you can increase your tax-free retirement grant up to a maximum of 25% of your pension fund value.³

LEAVING THE SCHEME BEFORE RETIREMENT

Refunds of Contributions

If you leave with less than three months total membership, have not brought a transfer into the LGPS and have no other LGPS pension rights in England or Wales, you may take a refund of your contributions, less any deductions for tax and the cost of buying you back into the State Second Pension Scheme (S2P).

Deferred benefits

If you leave before age 65 and you have at least 3 months total membership or you have transferred other pension rights into the LGPS, you will be entitled to deferred benefits within the LGPS. Your benefits will be calculated as described in the section on Benefits using the length of your total membership up to the date that you left the Scheme.

Unless you decide to transfer your deferred benefits to another pension scheme, the deferred benefits will become payable at age 65, but may be put into payment earlier, and in full, in the event of permanent ill health.

³Providing the total retirement grant does not exceed £437,500 (2009/10 figure) less the value of any other pension rights you have in payment.

Transferring your benefits

If you leave the scheme at least one year before age 65 and you are entitled to deferred benefits, you can transfer your benefits to a new pension scheme. You can transfer your deferred benefit to:

- An occupational pension scheme;
- A personal or stakeholder pension scheme; or
- A 'buy-out' insurance policy

As long as the new scheme are willing to accept the transfer. 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.

RETIREMENT

When can I retire?

If you have at least three months membership, you can retire and receive your LGPS benefits in full once you have attained age 65.

Can I retire early?

If you have left employment you can elect to retire and receive your LGPS benefits from age 60 onwards. You may also elect to retire and receive your LGPS benefits between and including the ages of 55⁴ and 59, **but only** if your employer gives their consent. This is an employer discretion, in respect of which they must publish a policy statement.

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

If you retire before age 65, your pension, and automatic retirement grant if payable, initially calculated as detailed in the previous section on **Benefits**, 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 25 years scheme membership before 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 in any other case
- b) 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).

⁴Some people will have the right to request a flexible retirement from age 50, if they were in the LGPS before April 2008.

What if my employer retires me on grounds of redundancy?

If you are aged 55⁵ or over and have at least three months total membership in the scheme or have transferred other pension rights into the LGPS, you will be entitled to the immediate unreduced payment of your LGPS pension and tax-free retirement grant.

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

If you have at least three months total membership in the scheme or have transferred pension rights into the LGPS, you will receive your pension and tax-free retirement grant immediately. You may also be entitled to an enhancement to your pension benefits dependant on the possibility of you obtaining future employment. For more details on ill health, contact Pension Services on the contact details at the end of this guide.

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

You don't have to continue in the same job to your 65th birthday and draw your pension from then. You could, from age 55⁶ and if your employer gives their consent, reduce your hours or move to a less senior position and draw some or all of the pension benefits you have built up – helping you ease into retirement. This is known as 'flexible retirement'. Consent is at the discretion of your employer and they must set out their policy on this in a published statement. However, the benefits you draw may be subject to a reduction 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.

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, accruing further benefits. You can receive your pension when you retire from that employment, or when you reach the eve of your 75th birthday, or if you have your employer's consent for 'flexible retirement', whichever occurs first.

If you draw your pension after age 65, the pension accrued up to age 65 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.

Taking AVC's as cash

If you pay additional voluntary contributions (AVC's) via the LGPS you may elect to take up to 100% of the accumulated fund in your AVC account as a tax free retirement grant. To do this you must draw the AVC fund at the same time as your LGPS pension benefits. Provided your tax-free retirement grant plus AVC fund not exceed 25% of the overall value of your LGPS benefits (including your AVC fund),⁷ then you will be able to take your entire AVC fund value as tax-free cash.

⁵Some people in the LGPS before 1.4.2008 will have the right to retire on redundancy from age 50.

⁶Some people will have the right to request a flexible retirement from age 50, if they were in the LGPS before April 2008.

⁷Providing the total tax-free retirement grant does not exceed £437,500 (2009/10 figure) less the value if any other pension rights you have in payment.

Will my pension increase?

The LGPS provides statutory pension increases. This means that after age 55, your pension will be increased each year in line with the Retail Prices Index. If you retire before age 55, the accumulated effect of inflation since you retired will be added to your pension when you reach age 55. Ill health pensions are increased each year in line with the Retail Prices Index 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's⁸ or, subject to the certain qualifying conditions, a nominated co-habiting partner's pension equal to 1/160th of your final pay times the total membership you would have built up in the LGPS to age 65. However, civil partner's and nominated co-habiting partner's pensions will be less than this if you have membership in the scheme before 6 April 1988;
- Pensions for eligible children; and
- A lump sum death grant of 3 years pay. If you are part-time, it's 3 years part-time pay.

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 and widower's pension is equal to 1/160th of your final 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 and nominated partner's pension is equal to 1/160th of your final pay times your membership in the scheme after 5 April 1988. 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 Pensions Services or from www.oxfordshire.gov.uk/links/public/pensions

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.

The LGPS allows you to say who you would like any death grant to be paid to by completing a form. This form is also available from the Pensions Section and the website address above. 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.

⁸A 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.

⁹A nominated partner

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. 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 Pensions Services Manager who will pass your complaint 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 about which you are complaining. The nominated person will consider your complaint and notify you of his/her decision and details of the appeal process.

A leaflet explaining the Internal Disputes Resolution Procedure in detail is available on request from Pension Services.

The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with any pension's 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

The Pensions Regulator

The Pensions Regulator 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. 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 employers. 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:

Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle-upon-Tyne
NE98 1BA.

Phone: 0845 600 2537 (ask for a tracing request form)

Or try **online tracing** on the Internet at

www.thepensionservice.gov.uk/atoz/atozdetailed/pensiontracing.asp

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

Further information and disclaimer

This short guide cannot cover every personal circumstance and does not cover rights that apply to a limited number of employees e.g. those whose total pension benefits exceed the Lifetime Allowance (£1.75 million in 2009/10) or whose pension benefits increase in any tax year by more than the Annual Allowance (£235,000 in 2009/10), 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.

More detailed information about the scheme is available from Pension Services.

Prudential Contact details

Telephone: 0845 607 0077 (calls may be recorded and monitored to improve performance).

Website: www.pru.co.uk/localgovavc

Pension Services Contact details

Pension Services
Oxfordshire County Council
Shared Services
Unipart House
Garsington Road
Oxford
OX4 2GQ

Telephone: 01865 797125 or 01865 797133,

Fax: 01865 783108,

e-mail: pension.services@oxfordshire.gov.uk

Oxfordshire County Council website: www.oxfordshire.gov.uk

National member's website: www.lgps.org.uk

**Alternative formats of this publication can be made available on request.
These include other languages, large print, Braille, audio cassette,
computer disk or e-mail**



*100% recycled paper
Printed with vegetable based inks*

*Produced by: County Print Finishers
Tel: (01865) 815672 • Fax: (01865) 204309*