

# a short guide to

## the Local Government Pension Scheme

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## The Local Government Pension Scheme (LGPS) in England and Wales

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 2017.

### 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 your Career Average Re-valued Earnings (CARE) from 1 April 2014. 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. You will be brought into the scheme automatically if you have a contract of employment that is for at least 3 months and you are under age 75. Alternatively, if you have a contract of employment of less than 3 months but you are under age 75, you will NOT be brought into the scheme automatically, but you will be given the option to join by your Employer.

If you are a Police Officer, Fire-fighter or Teacher you will not be allowed to join the LGPS.

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

To secure your entitlement to the scheme benefits, it is important that you complete and return the joiner forms. On receipt of these forms, relevant records will be set up and an official notification of your membership to the LGPS will be sent to you. You should also check your pay slip to make sure that pension contributions are being deducted.

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

You can leave the LGPS at any time by requesting an opting out form from the Pension Section and returning it to your Employer. You may then be entitled to a refund of contributions if you leave the scheme within 2 years of joining. If you opt-out, you can opt back into the scheme at any time, provided you are under age 75. However, your Employer will be responsible for bringing you back into the LGPS under the requirements of Automatic Enrolment. You will then have the option to opt-out again. You may wish to seek Independent Financial Advice before you make a decision to opt-out of the LGPS.

Please note that you should NOT complete an opting out declaration before the commencement of your employment.

### How much will I pay?

Your contribution rate depends on how much you are paid, but it will be between 5.5% and 12.5% of your pensionable pay. The rate you pay will depend on which pay band you fall into.

Here are the Contribution Bandings from 1 April 2017.

Annual Pensionable Pay:	Contribution Rate:
Up to £13,700	5.5%
£13,701 to £21,400	5.8%
£21,401 to £34,700	6.5%
£34,701 to £43,900	6.8%
£43,901 to £61,300	8.5%
£61,301 to £86,800	9.9%
£86,801 to £102,200	10.5%
£102,201 to £153,300	11.4%
More than £153,301	12.5%

As a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your pay. 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 £40,000, you may have to pay a tax charge. Most people will not be affected by the annual allowance.

### Does my Employer contribute?

Your Employer pays the balance of the cost of providing your benefits in the LGPS. Every 3 years, an independent review is undertaken to calculate how much your Employer should contribute to the Scheme.<sup>1</sup>

### Can I pay more to increase my benefits?

You can pay extra under the LGPS to increase your retirement benefits. You can do this either by paying Additional Pension Contributions (APC) to buy extra LGPS pension or by making payments to the scheme's Additional Voluntary Contribution (AVC) arrangement. For further information on these options, please contact the Pension Section.

### Can I pay less into the LGPS?

You can elect to pay half your normal contribution to receive half the level of pension in return for this period. However, you will retain full ill health and death cover during this time. If you wish to join the **50/50 section** of the scheme, you will need to request an **election form** from your Employer. When you wish to come back into the **Main section**, you will then need to complete another election form.

### Can I transfer pension benefits into the LGPS?

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 12 months of joining or such longer period as your Employer allows. To find out more, please contact your Employer.

<sup>1</sup>Increases or decreases in the cost of providing the scheme may, in future, need to be shared between members and employers in accordance with Government guidance.

## Retirement

To be entitled to LGPS retirement benefits, you must have at least 2 years membership or have transferred other pension rights into the LGPS, or already have a deferred benefit in the LGPS in England and Wales.

### When can I retire?

You can retire and receive your LGPS benefits in full once you have reached your Normal Pension Age (NPA), which is linked to your State Pension Age (SPA) and may change in the future. However, 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 an annual 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.

### Can I retire early?

You can elect to voluntarily retire and receive your LGPS benefits at any age from 55 to 75, but your benefits may be actuarially reduced to take account of early payment before your NPA.

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

If you voluntarily retire before your NPA, your LGPS 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 on or before the 30 September 2006, you may have been protected against the possible reduction to some or all of your benefits.

If you voluntarily retire before your NPA or retire on or after your NPA, you can defer drawing your benefits, but you must draw them before age 75. If you draw your pension after your NPA, your benefits will be paid at an increased rate to reflect the late payment.

### What if I'm already receiving an LGPS pension and I have become re-employed?

If you become re-employed in Local Government or by an Employer who offers you membership of the LGPS, you must tell the Pension Fund that pays your pension that you have become re-employed, regardless of whether you wish to join the scheme or not. A check will then be made to see whether your pension will be reduced or even stopped.

### What if my Employer retires me on the grounds of redundancy or business efficiency?

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, which has to be certified by an independent occupational health physician appointed by your Employer, the scheme provides a tiered ill health retirement package. This could give you benefits, paid straight away, and which could be increased if you are unlikely to be capable of undertaking gainful employment within 3 years of leaving.

Gainful employment means paid employment for not less than 30 hours a week for a period of not less than 12 months.

### 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 of the pension benefits you have built up – helping you ease into retirement. If you take Flexible retirement before your NPA, 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 my NPA?

If you carry on working after your NPA, 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 your NPA, 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 is my pension calculated?

When you retire, you will receive an indexed linked annual pension that is payable for your lifetime, plus the option to exchange part of your pension (subject to HMRC limits) for a tax-free lump sum, payable when you draw your benefits.

Every year, you will build up a pension that is equal to 1/49th of the pensionable pay that you have received in that scheme year (from 1 April to 31 March). Your pensionable pay is the amount of pay on which you pay your pension contributions. If you have elected to join the 50/50 section of the scheme, the rate at which your pension builds will be half this rate i.e. 1/98th of your pensionable pay.

The pension that you build up from 1 April to 31 March is then added to your pension account and is revalued in line with the appropriate cost of living index each April. The example below shows how your pension is calculated.

From 1 April to 31 March (**Scheme Year 1**), Sian's pensionable pay has been assessed as £15,000. The pension added to her pension account in respect of this year has been calculated as:

$$1/49 \times £15,000 = \mathbf{£306.12}$$

Having added £306.12 to her pension account, it is then revalued to take account of an assumed inflation increase of 2% (£306.12 + 2% = **£312.24**).

During **Scheme Year 2**, Sian's pensionable pay was assessed as £15,150:

$$1/49 \times £15,150 = \mathbf{£309.18}$$

£309.18 is added to her pension account (£312.24 + £309.18 = **£621.42**). Her account is then revalued to take account of an assumed inflation increase of 2.5%. The value of her pension account after Scheme Year 2 is **£636.96**.

However, if Sian had elected to contribute to the 50/50 section of the scheme for the whole of Scheme Year 1, her pension would have been calculated as:

$$1/98 \times £15,000 = \mathbf{£153.06} \text{ (+ a 2% assumed inflation increase = } \mathbf{£156.12}).$$

Note the difference in Sian's **pension build up** whilst contributing to the 50/50 Section of the Scheme (£312.24 less £156.12 = **£156.12**).

### Exchanging part of your pension for a tax-free lump sum

Under HMRC rules, 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 sum, by exchanging £1 of pension for £12 of lump sum.<sup>2</sup>

### Can I take my in-house AVC as cash?

If you contribute to an additional voluntary contribution (AVC) arrangement under the LGPS, you will have various options regarding its payment. For further information on these options, please contact the Pensions Section.

<sup>2</sup> Providing the total lump sum does not exceed £250,000, less the value of any other pension rights you have in payment.

### What if I joined the LGPS before 1 April 2014?

The LGPS changed from being a final salary scheme to a Career Average Re-valued Earnings (CARE) scheme on 1 April 2014. However, if you joined the scheme on or before 31 March 2014, you will also have built up benefits in the final salary scheme, which will continue to be based on your **final pay** when you leave the scheme or choose to retire.

For membership built up to 31 March 2008, you will receive a pension that is equal to 1/80th of your final pay, plus an automatic tax-free lump sum of 3 times the value of this pension. This calculation is also based on your membership of the scheme, which is proportioned if you work part time. For membership built up from 1 April 2008 to 31 March 2014, you will receive a pension that is equal to 1/60th of your final pay, but with NO automatic tax-free lump sum entitlement. However, you will have the option to exchange part of your pension for a tax-free lump sum when you retire (as described on the previous page).

When added to your CARE benefits, this will then provide you with the total value of your LGPS benefits. The example below shows how your final salary benefits will be calculated.

Sian has 10 years membership in the scheme up to 31 March 2008 and 6 years membership from 1 April 2008 to 31 March 2014. She has always worked full time and her final pay has been calculated as £15,000.

Her final salary benefits are calculated as follows:

#### Membership up to 31 March 2008:

10 years x 1/80 x £15,000 = £1,875 Annual Pension

10 years x 3/80 x £15,000 = £5,625 Automatic tax-free Lump Sum

#### Membership from 1 April 2008 to 31 March 2014:

6 years x 1/60 x £15,000 = £1,500 Annual Pension

NO Automatic tax-free Lump Sum entitlement

#### Total value of Final Salary benefits:

£1,875 + £1,500 = £3,375 Annual Pension

£5,625 Automatic tax-free Lump Sum

### What pay will be used to calculate my final salary benefits?

Your final salary benefits will normally be calculated on your final year's full time equivalent pensionable pay (under the 2008 definition) when you retire. However, your benefits can be calculated on one of the two previous years' pay if higher, or if your pay is reduced or restricted in your last 10 years of continuous employment with your Employer, you have the option to base your final salary benefits on the average of any 3 consecutive years pay in the last 13 years (ending 31 March). To make this election, you will need to write to the Pension Section no later than 1 month before leaving.

### Will my pension increase during my retirement?

The LGPS provides statutory pension increases. This means that if you retire on or after age 55, your pension will be increased each year in line with the appropriate cost of living index. Ill health pensions are increased each year in line with the appropriate cost of living 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 lump sum **death grant** of 3 years pay. If you work part-time, it's 3 years' part-time pay. If you have reduced your hours as a result of a condition or illness that, in the opinion of the independent occupational health physician, subsequently results in your death; the reduction in your hours is disregarded, both in calculating the pay to be used for the lump sum death grant and in calculating any survivor pension payable to your spouse, registered civil partner or eligible co-habiting partner.
- A **survivor's pension** is payable automatically to either your spouse, registered civil partner<sup>3</sup> or, subject to certain qualifying conditions, your eligible co-habiting partner. The pension is payable immediately after your death for their lifetime and will increase every year in line with the appropriate cost of living index.

For membership built up from 1 April 2014 to your date of death, the pension payable is equal to 1/160th of your pensionable pay times your membership in the scheme after 31 March 2014; plus 49/160ths of the amount of any pension credited to your pension account following a transfer of pension rights; plus a pension equal to 1/160th of your assumed pensionable pay for each year of membership you would have built up from your date of death to your NPA.

- Pensions for **eligible children**.

Please note that an eligible co-habiting partner's pension will be less than that payable to a spouse or registered civil partner, if you have membership in the scheme before 6 April 1988 and you have elected not to pay additional contributions, so that it counts towards your eligible co-habiting partner's pension.

If you die after your retirement, a survivor's pension is automatically payable to your spouse, registered civil partner or, subject to certain qualifying conditions, your eligible co-habiting partner and to any eligible children that you may have. 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 pension is paid as a lump sum.

The LGPS also allows you to say who you would like any death grant to be paid to by completing an Expression of Wish form, which is available from the Pension Fund website. The Scheme's administering authority, however, retains absolute discretion when deciding who to pay any death grant to.

If you wish to receive further information regarding the eligibility of your Co-habiting partner or the calculation of a Child's pension, please contact the Pension Section.

<sup>3</sup> 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.

## Leavers without an immediate entitlement to benefits

### Refunds of Contributions

If you leave the LGPS with less than 2 years 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 any deductions for tax (and the cost of buying you back into the State Second Pension scheme (S2P), if applicable).

### Deferred benefits

If you leave the LGPS before your NPA and your total membership is 2 years 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. During the period of deferment, your pension benefits will be increased each year in line with the appropriate cost of living index.

Unless you decide to transfer your deferred benefits to another pension arrangement, they will normally be paid at your NPA, but:

- they may be put into payment earlier, and in full if, because of ill health, you are permanently incapable of undertaking the job you were working in when you left the LGPS and you have a reduced likelihood of being capable of undertaking gainful employment within 3 years of applying for the benefit or by your NPA, whichever occurs first; or
- you can, if you wish, elect to receive your deferred benefits early from age 55 onwards; or
- you can, if you wish, elect not to draw your deferred benefits at your NPA and defer drawing them until some time later (although they must be paid by age 75).

Benefits paid early, other than on the 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 your NPA will be increased to reflect the late payment.

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 an Expression of Wish form, which is available from the Pension Fund website. The Scheme's administering authority, however, retains absolute discretion when deciding who to pay any death grant to.

## Deferred benefits (continued)

A survivor's pension is automatically payable to a spouse, registered civil partner or, subject to certain qualifying conditions, your eligible co-habiting partner and also to any eligible children you may have. The pension is payable immediately after your death for their lifetime and will increase every year in line with the appropriate cost of living index.

For membership built up from 1 April 2014, the pension payable is equal to 1/160th of your pensionable pay upon which your deferred pension was calculated, times your membership in the scheme after 31 March 2014; plus 49/160ths of the amount of any pension credited to your pension account following a transfer of pension rights.

Please note that an eligible co-habiting partner's pension will be less than that payable to a spouse or registered civil partner, if you have membership in the scheme before 6 April 1988 and you have elected not to pay additional contributions, so that it counts towards your eligible co-habiting partner's pension.

If you wish to receive further information regarding the eligibility of your Co-habiting Partner or the calculation of a Child's pension, please contact the Pension Section.

### Can I transfer my benefits elsewhere?

If you leave the scheme at least one year before your NPA and you are entitled to deferred benefits or a refund, you can generally transfer the cash equivalent value 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, provided you have obtained advice from an Independent Financial Advisor (IFA) authorised by the Financial Conduct Authority (FCA) before doing so. For further information, please contact the Pension Section.

If, however, you re-join or have already re-joined the LGPS in another Fund in England or Wales, you must: a) notify the administering authority of the Fund in which you are an active member that you have deferred benefits in another LGPS Fund in England or Wales; b) notify the Fund in which your deferred benefits are held that you are an active member in another LGPS Fund in England or Wales, and; c) notify the administering authority of the Fund in which you are an active member of any intervening service in any other public service pension scheme (even if a refund of contributions has been received in respect of that service). Items (a) and (b) are required to ensure that you are given the appropriate options regarding the aggregation of your benefits. However, failure to comply with item (c) could lead to certain statutory rights not being applied to your circumstances e.g. to a final salary link should you decide to aggregate any pre 1 April 2014 LGPS membership. The Pension Section will then provide you with the necessary information regarding the aggregation of your benefits.

## 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 guide. They will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible. If your query is about your contribution rate, please contact your Employer's HR/Payroll department, so they can explain how they have calculated your contribution rate.

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 **6 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.

### The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries of the Scheme, in connection with any pension 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: **0300 123 1047**

### The Pensions Ombudsman (TPO)

In cases where a complaint or dispute cannot be resolved after the intervention of TPAS, an application can be made within **3 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 6302 200**

## The Pensions Regulator (TPR)

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: **0345 6000 707**

## 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 to 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: **0345 6002 537**

Also, do not forget to keep your pension providers up to date with any change in your home address.

## Further Information and Disclaimer

This guide is for members within England and Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication (**1 April 2017**).

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

**This 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 members e.g. those whose total pension benefits exceed the Lifetime Allowance (£1 million from April 2016) or whose pension benefits increase in any tax year by more than the Annual Allowance (£40,000 from April 2014), 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.

Please note that If your pension benefits are subject to a Pension Sharing Order issued by the Court following a divorce or dissolution of a civil partnership, your benefits will be reduced in accordance with the Court Order or agreement.

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 LGPS is available from the:

**Dyfed Pension Fund  
County Hall  
Carmarthen  
SA31 1JP**

Tel: **01267 224 043**  
E-mail: **pensions@carmarthenshire.gov.uk**  
Website: **www.dyfedpensionfund.org.uk**