

## 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 (£1.65 million in 2008/09) or whose pension benefits increase in any tax year by more than the annual allowance (£235,000 in 2008/09), 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:

The Pensions Office, Isle of Wight Council  
Directorate of Finance  
Room 208 Floor 2 County Hall  
High Street  
Newport  
Isle of Wight  
PO30 1UD

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LGPS look forward with confidence

# A guide to the Local Government Pension Scheme (LGPS) 2007 regulations

## The scheme

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 covers Local Government and other organisations that have chosen to participate in it. To be able to join the LGPS you need to have a contract of employment that is for at least 3 months and be under age 75 and, if you are employed by a designating body, such as town or parish council, or an admitted body<sup>1</sup>, you can only join if your employer nominates you for membership of the scheme. Police, firefighters and teachers are not allowed to join.

If you are eligible for membership of the scheme, you will automatically become a member unless you are employed by an admitted body<sup>1</sup> 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?

On receipt of information from your employer, relevant pension records will be set up and an official notification of your membership of 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 the LGPS at a later date?

You can leave the LGPS at any time by giving your employer notice in writing. If you opt-out, you can opt back into the scheme provided at that time you have a contract of employment that is for at least three months and you are under 75. You may wish to obtain independent financial advice before you make a decision to opt-out of the LGPS.

### What do I pay?

Your contribution rate will be between 5.5 per cent and 7.5 per cent of your pensionable pay. The rate you pay depends on which pay band you fall into<sup>2</sup>.

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 pay you actually earn.

<sup>1</sup> An 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.

<sup>2</sup> The 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 per cent will be brought into line with all other scheme members on a phased basis by 1 April 2011.

Here are the pay bands that apply from April 2009.

If your Whole Time Pay Rate is:	You pay a contribution rate of:
Up to £12,600	5.5%
More than £12,601 and up to £14,700	5.8%
More than £14,701 and up to £18,900	5.9%
More than £18,901 and up to £31,500	6.5%
More than £31,501 and up to £42,000	6.8%
More than £42,001 and up to £78,700	7.2%
More than £78,700	7.5%

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

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.

### 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<sup>3</sup>.

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

You can pay extra to increase your retirement benefits. You can do this either by paying additional regular contributions (ARC) to buy extra LGPS pension; by making payments to the scheme's in-house 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 and will buy membership in the LGPS. An option to transfer must be made within twelve months of joining or such longer period as your employer allows.

## 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.

### 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 **The benefits** section.

A leaflet explaining the internal disputes resolution procedure in detail is available on request from the pensions office.

- **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. 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 834 9144

- **The Pensions Regulator**

From April 2005, the Pensions Regulator replaces the Occupational Pensions Regulatory Authority (OPRA) as 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 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:

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.

<sup>3</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.

## 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 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 your total membership is three months or more or you have transferred other pension rights into the LGPS, 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 total membership up to the date that you left the scheme.

Your deferred benefits will normally be paid at age 65, unless you decide to transfer your deferred benefits to another pension scheme. They may be put into payment earlier, without reduction, in the event of permanent ill-health if you are unlikely to be capable of gainful employment within a reasonable time. You can elect to receive your deferred benefits from age 55 onwards (age 50 if you joined the LGPS before 1 April 2008 and make your election before 31 March 2010). However, if you are under the age of 60 you will need the consent of your former employer. Benefits paid early will be reduced to take account of their early payment and the fact that your pension will be paid for longer.

### 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 pensions office 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 about which you are complaining. The nominated person will consider your complaint and notify you of his/her decision. If you are dissatisfied with that person's decision, you may, within six months of the date of the decision, apply to the scheme's administering authority to have it reconsidered.

### 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 (or from age 50 if you joined the LGPS before 1 April 2008 and retire and elect to receive your benefits before 1 April 2010), but only if your employer agrees. This is an employer discretion; they 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, will be reduced to take account of their early payment and the fact that your pension will be payable for longer.

### What if my employer retires me on grounds of redundancy?

If you are aged 55 or over (or 50 or over if you joined the LGPS before 1 April 2008 and retire on grounds of redundancy before 1 April 2010), 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 could give you increased benefits, paid straight away, if you are unlikely to be capable of gainful employment within a reasonable time after you leave.

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

This is known as flexible retirement. From age 55 (or from age 50 if you joined the LGPS before 1 April 2008 and you take flexible retirement before 1 April 2010), if you reduce your hours or rate of pay, 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 total membership in the scheme and your final pay. For membership you build up after 31 March 2008 you receive an annual pension based on 1/60th of your final pay.

### What is meant by final pay?

Final pay is the pay used to calculate your retirement benefits. It is normally your final year's pensionable pay. If you are part-time, your pensionable pay is increased to what you would have received had you been full-time. However, your benefits can also be calculated on one of the two previous years' pay if better and, if you downgrade in your last 10 years or your pay is restricted in that period, you have the option to have your benefits based on the average of any three consecutive years' pay in the last 10 years (ending on a 31 March).

## 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 per cent of the capital value of your pension benefits as a lump sum and you will receive £12 lump sum for each £1 of pension given up<sup>4</sup>.

### 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:

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

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

Their **reduced annual pension** is:  
£5,000 less £1,000 = **£4,000**

And they will get a tax free lump sum of:  
£1,000 x 12 = **£12,000**

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

Their **annual pension** would be:

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

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

Their **reduced annual pension** is:  
£2,500 less £500 = **£2,000**

And they would get a **tax free lump sum** of:  
£500 x 12 = **£6,000**

## 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's<sup>5</sup> 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, widower's pensions could be, and 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
- A lump sum death grant of 3 years 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 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 widower's pension is equal to 1/160th of your final pay times the total membership your pension is based on (but could be less if you have membership in the scheme before 6 April 1988). 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. 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.

### Who counts as an eligible child?

A child who is wholly or mainly dependent on you is an eligible child until age 18, or until age 23 while continuing in full-time education or vocational training. If you have a dependent child who is disabled within the meaning of the Disability Discrimination Act 1995(b) then he/she will be counted as an eligible child regardless of age.

### Who counts as a nominated co-habiting partner?

If you are living with someone as if you are husband and wife, or civil partners, you can nominate them to be your co-habiting partner. Your relationship has to meet certain conditions laid down by the LGPS.

You must both be free to marry or enter a civil partnership with each other.

You must be living together as if husband and wife or civil partners.

Neither you nor your partner are living with a third person as if husband and wife or civil partner.

Your partner must be financially dependent on you, or you are financially interdependent.

All these conditions must be satisfied for at least two years before a nomination form is signed. If you wish to make a nomination you can obtain a form, with further explanatory notes, from the pensions office.

### Who will benefit from my death grant?

The LGPS allows you to say who you would like any death grant to be paid to by completing a *Nomination of Death Grant Beneficiary* form available from the pensions office. The scheme's administering authority, however, retains absolute discretion when deciding who should receive any death grant.

You can find out how to contact the pensions office at the end of this guide.

## Can I use my AVC fund when I retire?

If you pay additional voluntary contributions (AVCs) via the LGPS then, when your LGPS benefits are put into payment, you must decide what you want to do with your accumulated AVC fund.

### How can I use my AVC fund when I retire?

You can use all the AVC fund to buy an additional pension.

You can take up to 100 per cent of the AVC fund as an additional lump sum (within the 25 per cent limitation explained below).

You can use some of the fund to buy an additional pension and take the remainder as an additional lump sum.

You can leave it invested with the AVC provider, although it must be paid out before you are 75 years of age.

Any additional lump sum paid from your AVC fund will be tax free provided it does not exceed 25 per cent of the overall value of the retirement package being put into payment (LGPS benefits and/or AVC fund)<sup>4</sup>.

### Will my pension increase?

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 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. All health pensions are increased each year in line with the Retail Prices Index regardless of age.

<sup>4</sup> Providing the total lump sum does not exceed £412,500 (2007/08 figure) less the value of any other pension rights you have in payment.

<sup>5</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.