



## **The Local Government Pension Scheme (LGPS)**

### **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. Your alternatives are to take out a Personal or Stakeholder Pension arrangement or to rely on the State Pension Scheme.

### **Who can join?**

The LGPS is available to all employees in Local Government, or in other organisations that have chosen to participate in it. Teachers, police and firefighters are not allowed to join and you generally need to be less than age 65 to join.

If you become employed in Local Government (other than Town and Parish Councils), you will automatically become a member of the LGPS unless you opt not to join or you have previously opted out, or you are a casual employee. If you have previously opted out or are a casual employee you can join, but must elect to do so.

If you become employed by a non-local government organisation your employer may automatically bring you into the scheme, but you will have the right to opt out of membership, or your employer may have a policy under which you have to make an election to join the scheme.

### **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 joining 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.

### **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 once, you can re-join the LGPS. If you opt-out of the LGPS more than once you will, unless you opt to re-join the Scheme within three months of starting work with your employer, only be allowed to re-join at the discretion of your employer. 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 is 6% of the pay you receive for your contractual hours. 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). 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 State Second Pension scheme.

### **Does my employer contribute?**

Your employer pays the balance of the cost of providing your benefits. 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?**

Within certain limits you can make additional payments to increase your retirement benefits and life cover. You can do this, either by purchasing extra years of membership in the LGPS, by making payments to the scheme's Additional Voluntary Contributions 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 your pension rights into the LGPS must be made within twelve months of joining or such longer period as your employer allows.

## **Retirement**

### **When can I retire?**

You can retire and receive your LGPS benefits in full once you have attained your normal retirement date, usually age 65. The Scheme also makes provisions for the early payment of your LGPS benefits.

### **What are my retirement benefits?**

When you retire, you will receive a pension and a tax-free lump sum from the LGPS.

### **Can I retire early?**

If you have at least three months membership or have transferred other pension rights into the LGPS, 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 50 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 you have reached your normal retirement date (usually age 65), your pension and lump sum, initially calculated as detailed in the section below on Benefits, may be reduced. The reduction depends on your age at retirement and your total membership in the scheme counted at full calendar length. If each of these in whole years, when added together, equal less than 85, then both your pension and lump sum will be reduced.

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

If you are aged 50 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 lump sum.

### **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 may receive your pension and lump sum immediately. Your employer must be satisfied that, because of ill health, you have become permanently incapable of doing your job or any available comparable job with the employer. The total membership used in the calculation of your benefits will be increased if your total membership in the scheme is five years or more, provided that you have not retired under the LGPS with an ill health pension on a previous occasion.

## **The Benefits**

### **How much will my pension be?**

Your pension is based on your length of total membership in the scheme and the pensionable pay you 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. The examples below shows how your pension is calculated, by dividing your final pay by 80 and multiplying this figure by your total membership to give you your annual pension.

### **How much will my lump sum be?**

The lump sum is three times your annual pension and is tax-free. Like your pension, it is based on your final pay and your total membership. The calculation for the lump sum is 3/80ths of your final pay for every year of membership in the scheme.

### **Example pension and lump sum calculation**

At retirement, a Scheme member has 30 years total membership and has a final pay of £16,400.

The annual pension is therefore:

$$30 \times \frac{1}{80} \times £16,400 = £6,150$$

AND

The tax-free lump sum is therefore:

$$30 \times \frac{3}{80} \times £16,400 = £18,450$$

If the same employee had worked half time (i.e. 30 years at half-time = 15) the calculation would be:

Annual pension:

$$15 \times \frac{1}{80} \times £16,400 = £3,075$$

AND

The tax free lump sum would be:

$$15 \times \frac{3}{80} \times £16,400 = £9,225$$

### **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, subject to the certain qualifying conditions, the benefits shown below are payable.

- A widow's or widower's pension equal to half the pension you would have received if you had retired on health grounds
- Pensions for eligible children
- A lump sum death grant of 2 years pay

If you die after retiring on pension, a widow's or widower's pension and pensions for eligible children are payable. The spouse's pension is equal to half of your pension unless you marry after retirement in which case the spouse's pension could be less than half your pension. A death grant is only payable if less than five years pension has been paid in which case the balance of 5 years of pension is paid as a lump sum.

The LGPS allows you to say who you would want any death grant to be paid to by completing an expression of wish form. A form is available from the Pensions Section at the address shown at the end of this guide. The Scheme's administering authority, however, retains absolute discretion when deciding who to pay any death grant to.

## **Leavers without an immediate entitlement to benefits**

### **Refunds of Contributions**

If you leave with less than three months total membership and have not brought a transfer into the LGPS, 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).

### **Preserved benefits**

If you leave before your normal retirement date (usually 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 preserved benefits within the LGPS. Your preserved pension and lump sum will be calculated as described in the section on Retirement Benefits using the length of your total membership up to the date that you left the Scheme.

Unless you decide to transfer your preserved benefits to another pension scheme the preserved benefits will become payable at your normal retirement date (usually age 65), but may be put into payment earlier, and in full, in the event of permanent ill health. You can also elect to receive preserved benefits early, at or between the ages of 50 and 59 with your employer's consent, or at or after age 60, without your employer's consent, but benefits paid early may be subject to a reduction. The reduction depends on your age on the date you draw the benefits and the total membership you would have had if you had remained in the scheme until that date, counted at full calendar length. If each of these in whole years, when added together, equal less than 85, then both your pension and lump sum will be reduced.

### **Transferring your benefits**

If you leave the scheme at least one year before your normal retirement date 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.

### **How can I trace my pension rights?**

The Pensions Scheme Registry holds details of pension schemes, including the LGPS, together with relevant contact addresses. The purpose of the Registry is to provide 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 Registrar of Pensions Schemes at:

PO Box 1NN  
Newcastle upon Tyne  
NE99 1NN

Telephone 0191 225 6393

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 earning greater than £100,000 where special rules limit contributions and benefits, those to whom protected rights apply, or those whose rights are subject to a Pension Sharing Order following divorce. 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 by  
Telephone: 0116 265 7614, 265 7654, 265 7651

Fax: 0116 265 7952 or e-mail: [pensions@leics.gov.uk](mailto:pensions@leics.gov.uk)

The Pension Section can be contacted at Leicestershire County Council, Resources Department, County Hall, Glenfield, Leics, LE3 8RB.