

# Frequently Asked Questions

## Regular queries on the Local Government Pension Scheme (LGPS)

### 1) Why should I join the pension scheme?

Joining the LGPS provides you with a guaranteed pension based on your salary and length of service. You are not subject to the ups and downs of the stock market and for every £1 you put in your employer puts in roughly £2. Membership also comes with a range of benefits such as ill health protection and spouses pension.

### 2) If I join, can I opt out if I need/want to?

Before you opt out you may wish to consider the 50/50 option. This is where you pay half the contributions to receive half of the pension benefits. See the '50/50 section' of the website for further details.

You can opt out when you wish but if this is after a period of 2 years you will not receive a refund to your contributions. You will become a deferred or frozen pensioner and your pension will attract a cost of living increase each year until you reach your retirement age. If you start a new pension with a new employer you may have the option to transfer your LGPS pension into your new arrangement.

### 3) Is the money I contribute to my pension secure?

Yes. Money paid into the pension scheme is invested in a fund but this fund exists purely to defer the taxpayer from paying any pensions. In other words your pension is protected by the Government.

### 4) Will the amount I pay into my pension change?

The level of contributions you pay will depend on the amount you earn. It will range from 5.5% to 12.5%. The bands are set each April. You also have the option to increase the level of contributions you pay.

### 5) Can I take a break from paying my pension for a while and join again at a later date?

You can opt out of the scheme and rejoin at a later date but you will lose out on both your contributions and the contributions of your employer during this period. This may reduce your pension entitlement quite severely on retirement so you need to be sure this is the right move for you before you do it. You may wish to consider the 50/50 option. This is where you pay half the contributions to receive half of the pension benefits.

### 6) Are my contributions going to increase any time soon?

Contributions are banded which means the more you earn the more you pay. The bands are set each April by your employer, the bands are designed to reflect the higher tax relief members earning beyond £43,000 normally benefit from. Anyone earning less than £43,000 are unlikely to pay any higher contributions and many part time staff will see a drop in their pension contributions as the bands are now based on their actual pay rather than full time equivalent pay.

**7) Will any increase in contribution result in an equivalent increase in what I eventually receive?**

Yes. Since your pension is based on your salary and length of service higher earners tend to receive higher pensions. Therefore the Government believes more should be contributed to reflect this.

**8) How much am I going to get back of the money I put in?**

This will of course depend on how long you live in retirement but generally you would receive a full return on your contributions within 3 years of retirement and we guarantee to pay at least 10 years annual pension to you or your estate should you die shortly after retiring. This is possible as the contributions you make are 1/3rd of the money paid into the fund with the remaining funds paid by your employer. There is also the investment income generated by the pension fund.

**9) What does my pension statement tell me - I find it confusing?**

Your annual benefit statement considers current benefits built up to date. It also shows the death grant payable and the amount of Survivors' pension if applicable. We have tried to keep this document as simple as possible but if you have any queries please feel free to contact us.

**10) What is a pension account?**

From 1 April 2014 your pension is *worked out each year*. The value is then added to your individual pension account. Your pension account is revalued each year to allow for inflation and to keep up with the cost of living. It is applied in April each year under orders set by HM Treasury.

All pension built up before April 2014 will be calculated on Final Pay when you retire and is also added to your pension account.

**11) What happens if inflation becomes a negative figure?**

This is considered unlikely and has only occurred in 1 year since the second world war. If however this does occur, an active member pension benefits would be reduced by that factor. A pensioner or deferred member would have a zero increase.

**11) What value is it at present?**

You can view the value of your benefits anytime securely online through our Member Self-Service facility. Please go to [www.yourpension.org.uk](http://www.yourpension.org.uk) to login or for further information about Member Self-Service

**12) Can I buy more pension?**

Yes, you will be able to pay extra to increase your pension either by paying additional contributions to buy an increased LGPS pension known as Additional Pension Contributions (APCs) or by making payments to the Additional Voluntary Contribution (AVC) arrangement.

**13) Is the final pension taxed or do you get a tax-free amount each month?**

The pension you receive will be taxed depending on any other income you might have. You do however have the option to convert some of your pension into a tax free lump sum.

**14) If I go to work for another of local authority, does my pension need to be transferred or can it continue as it is?**

If you move to another employer (such as a local authority) who offers the LGPS then you can transfer your pension into their fund. Alternatively you can leave it with your current employer and it will become a deferred (frozen) pension, payable when you reach retirement age.

**15) What would happen to my pension if I left my employment?**

If you left your current employment you would have the option either to keep your current pension as a deferred (frozen) pension with your employer or to transfer it to your new employment. If this is to a private sector pension plan please be aware that it will not have the level of Government security of the LGPS.

**16) When will I be eligible to receive my pension?**

From 1 April 2014 your Normal Retirement Age is linked to your State Pension Age. If your State Pension Age changes in the future so will your Normal Pension Age. You can choose to take your pension benefits anytime from ages 55-75, however if you take your pension benefits before you Normal Pension Age they will be reduced. If you take them after your Normal Pension Age they will be increased. Your Normal Pension Age is simply the age you can take your pension benefits without any increases or reductions. You can check your Normal Pension Age by checking your current State Pension Age at the following website: [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)

**17) What happens to my pension if I die before retirement age? What rights does my spouse have?**

If you die before your pension becomes payable then your spouse, civil partner or an eligible co-habiting partner will receive a pension for the remainder of their life. There could also be a death grant payable. You can nominate a beneficiary or beneficiaries for a Death Grant online at [www.yourpension.org.uk](http://www.yourpension.org.uk)

**18) If I retired and died the next day where would the money go?**

If you die once your pension has gone into payment your spouse, civil partner or eligible co-habiting partner will receive a pension. Depending when you left employment and how long after your pension has gone into payment there could also be a death grant payable. You can nominate a beneficiary or beneficiaries for a Death Grant online at [www.yourpension.org.uk](http://www.yourpension.org.uk)