

**BENEFITS OF THE LGPS - MAY 2014**

# Local Government Pension Scheme (LGPS)

Are you saving enough for your future? Can you afford to live on your basic state pension? The maximum basic state pension is £113.10 per week (2014/15 unmarried rate) You could start saving for your future now with the LGPS

**Did you know:**

- The LGPS is an **important** part of your employment package and provides an excellent range of benefits
- You pay your contributions and **your employer pays too**
- The scheme is **flexible** - you can choose to pay less or more, and you can draw your benefits anytime from age 55 to 75
- The **benefits** you get include a pension when you retire as well as immediate life cover and ill-health protection
- There are also benefits for your **loved ones** with pensions for dependants if you die.

## Here is how the scheme works

**Cost**

The amount you pay depends on how much you are paid in your job. The rates vary from 5.5% to 12.5%, and your contribution rate depends on the band you fall into in the table below.

**Member Contribution Table 2014/15**

Pay Bands	Contribution Rates
Up to £13,500	5.5%
£13,501 - £21,000	5.8%
£21,001 - £34,000	6.5%
£34,001 - £43,000	6.8%
£43,001 - £60,000	8.5%
£60,001 - £85,000	9.9%
£85,001 - £100,000	10.5%
£100,001 - £150,000	11.4%
Over £150,000	12.5%

When you join, and every April afterwards, your employer will decide your appropriate contribution rate from the contributions table. Also if your pay changes throughout the year your employer may decide to review your contribution rate. The contribution rates and / or pay bands in this table will be reviewed periodically and may change in the future.

### If you're worried you can't afford it - think again

If you pay tax you get **tax relief on your pension contributions**, as your contributions are deducted from your pay before you pay tax. You also (up to State Pension Age) **pay reduced national insurance contributions** (although this reduction is expected to be removed from April 2016 - full details on how this will work have yet to be finalised). Your **employer** currently automatically **pays the balance** of the cost of providing your pension benefits.

Each month



**You also have flexibility to pay less** - with the option to pay half your normal contributions in return for half your normal pension, known as **50/50**. This is designed to help members stay in the scheme when times are financially tough.



**You have flexibility to pay more** - you can boost your pension by paying more contributions which you would get tax relief on. Options include Additional Pension Contributions (APCs) and Additional Voluntary Contributions (AVCs).

## Benefits at Retirement

The LGPS is a great way to save for your future. You build up a pension from the day you join the scheme and once you've been paying in for 2 years your benefits include:

- ▶ **A secure pension** - every scheme year (1 April to 31 March) an amount equal to a 49th of your pay in that year is added to your pension account. At the end of every scheme year the total pension in your account is adjusted to take into account the cost of living (as currently measured by the Consumer Prices Index (CPI)).
- ▶ **Tax-free cash** - you have the option, when you draw your pension, to exchange part of it for some tax-free cash.
- ▶ **The freedom to choose when to take your pension** - your Normal Pension Age is linked to your State Pension Age but you do not need to have reached your Normal Pension Age in order to take your pension. You can choose to retire and draw your pension at any time between age 55 and 75. Your Normal Pension Age is simply the age you can retire and take the pension you've built up in full. If you choose to take your pension before your Normal Pension Age it will normally be reduced, as it's being paid earlier. If you take it later than your Normal Pension Age it's increased because it's being paid later.

To find out your State Pension Age please visit:

[www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)

- ▶ **A tiered ill-health retirement package** - if you have to leave work at any age due to permanent ill health the scheme provides you with a pension, paid straight away, which could be paid at an increased rate if you are unlikely to be capable of gainful employment within 3 years of leaving.
- ▶ **Early payment of your benefits** - if you are made redundant or retired on business efficiency grounds and you are aged 55 or over.
- ▶ **Flexible retirement** - available from age 55 if you reduce your hours, or move to a less senior position. Provided your employer agrees, you can draw some or all of your benefits, helping you ease into your retirement.
- ▶ **Protection against inflation when you've drawn your pension** - you can look forward to a pension for life that increases with the cost of living.

## Transferring into the LGPS

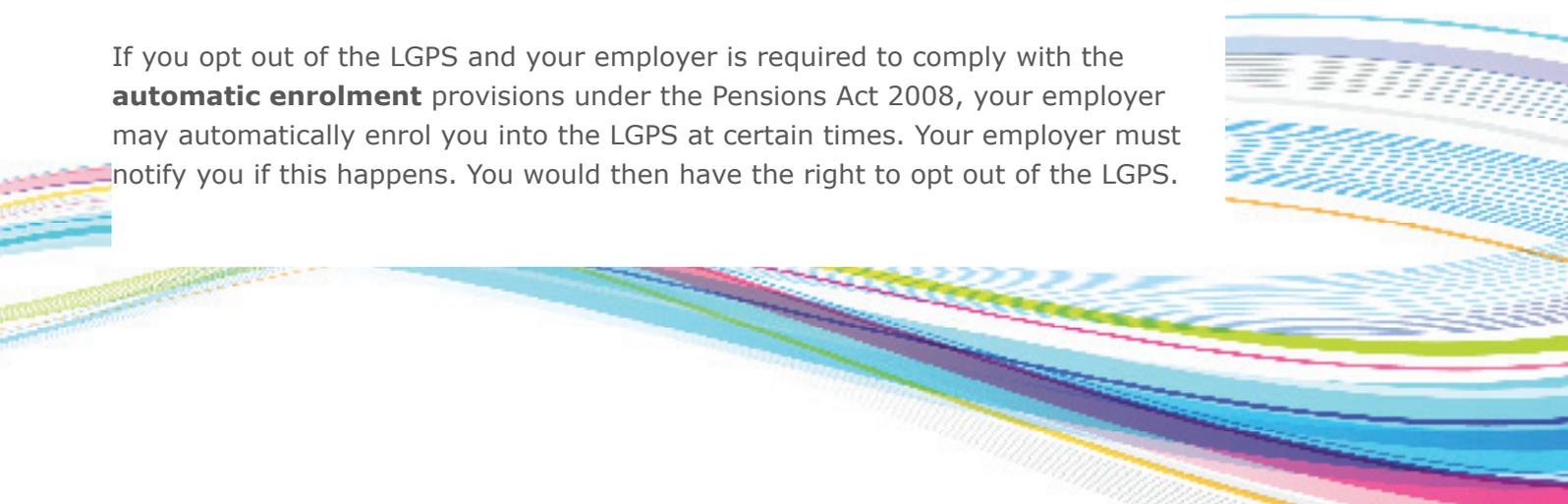
You can also transfer previous pension rights into the scheme. Deferred benefits held in the LGPS in England and Wales are normally automatically transferred, unless you decide within 12 months of joining the LGPS to keep them separate. For transfers from other pension schemes you may be able to transfer and you normally have 12 months from joining to opt to make a transfer.

## Opting out of the LGPS

You can leave the LGPS at any time once you are a member by giving your employer notice in writing. You might, however, want to take independent financial advice before making the final decision to opt out. And don't forget you can, as an alternative, opt for 50/50 which allows you to remain in the scheme, building up valuable pension rights, but pay half your normal contributions for half your normal pension.

If you opt out before completing 3 months membership you will be treated as never having been a member and your employer will refund to you, through your pay, any contributions you have paid during that time. If you opt out with 3 or more months membership but less than 2 years you can take a refund of your contributions (less any statutory deductions) or transfer out your pension to another scheme. If you opt out after 2 years you will have deferred benefits in the scheme which can, if you want, be transferred out to another scheme. If you opt-out, you can, provided you are otherwise eligible to join the scheme, opt back into the scheme at any time before age 75.

If you opt out of the LGPS and your employer is required to comply with the **automatic enrolment** provisions under the Pensions Act 2008, your employer may automatically enrol you into the LGPS at certain times. Your employer must notify you if this happens. You would then have the right to opt out of the LGPS.



**Remember . . .** A pension isn't only about your future.

As a member of the LGPS you still get **valuable life cover**, with a lump sum of 3 years pay if you die in service, **cover for your family**, with pensions for your dependents if you die, and **ill health cover for you**.

And you can also pay more to **buy extra pension**.

**To recap . . .**

- You have access to a scheme offering secure benefits
- You pay pension contributions and your employer pays too
- Your pension is worked out each year with inflation added so it keeps up with the cost of living
- You have the freedom to choose when to take your pension between age 55 and 75
- You can exchange part of your pension on retirement for a tax-free lump sum



### Want to know more?

If you want to know more about the scheme, or if you have membership in the scheme before 1 April 2014 and want to know how benefits built up before then are worked out, you can get more information at [www.yourpension.org.uk](http://www.yourpension.org.uk)

This leaflet is for employees in England or Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication in April 2014. The Government may make changes to overriding legislation and, after consultation with interested parties, may make changes in the future to the LGPS. This leaflet is a brief guide to the scheme and cannot cover every personal circumstance. In the event of any dispute over your pension benefits, the appropriate legislation will prevail. This leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

For further information visit [www.yourpension.org.uk](http://www.yourpension.org.uk)

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