

The Local Government Pension Scheme



A brief guide to your pension scheme

More detailed information on the scheme can be found on the members and employers website at www.lpfa.org.uk

Special Requirements

If you would prefer to receive correspondence and literature, including this Charter, on audio cassette or in large print, Braille or another language we will:

- include your name on our special requirements register
- investigate if we are able to meet your request
- inform you of the result

To be included on our special requirements register or for further information about it, please contact:

- 020 7369 6115 or enquiries@lpfa.org.uk
- 020 7369 6119 (text phone)



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 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 need to be under age 75 to join (under age 70 for coroners).

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 that offers you membership of the LGPS, your employer will automatically bring you into the scheme unless you are employed by an admitted body 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?

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 in the LGPS. 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?

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 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 age 65, your pension and lump sum, initially calculated as detailed in the section below on 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 before 1 October 2006 and would have at least 25 years scheme membership before age 65 you will:

- a) have some protection from the

reduction in respect of benefits you build up in the Scheme up to 31 March 2016 if you will be 60 by then, or

- b) in any other case, have some protection from the reduction in respect of benefits you build up in the Scheme up to 31 March 2008 (and, if you will be 60 between 1 April 2016 and 31 March 2020, you may have some further protection on a sliding scale in respect of benefits you build up between 1 April 2008 and 31 March 2020).

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.

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

Rather than continuing in your job to 65 and drawing your pension from then you could, from age 50, reduce your hours or move to a less senior position and, if your employer consents, draw the pension benefits you have built up – helping you ease into retirement. This is known as 'flexible retirement'. Consent is at the discretion of your employer and they must set out their policy on this in a published statement. However, the benefits you draw may be subject to a reduction 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.

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, accruing further benefits. You can receive your pension when you retire, or when you reach the eve of your 75th birthday, or if you have your employer's consent for 'flexible retirement', whichever occurs first.

If you draw your pension after age 65, the pension accrued up to age 65 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 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 show 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 automatically paid when you draw your benefits 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

On retirement at age 65, a Scheme member has 30 years total membership and has a final pay of £16,400.

The annual pension is therefore:
 $30 \times 1/80 \times £16,400 = £6,150$

AND

The automatic tax-free lump sum is:
 $30 \times 3/80 \times £16,400 = £18,450$

If the same employee had worked half time (i.e. 30 years at half-time = 15) the annual pension calculation would be:
 $15 \times 1/80 \times £16,400 = £3,075$

AND

The automatic tax free lump sum is:
 $15 \times 3/80 \times £16,400 = £9,225$

Can I give up some of my pension to increase my lump sum?

If you draw your benefits after 6 April 2006 you can take a bigger tax-free lump sum - up to 25% of the capital value of your pension benefits may be taken as a lump sum. Any amount you take as a lump sum above the automatic lump sum detailed above would be achieved by exchanging part of your annual pension for a one-off tax-free cash payment – for each £1 annual pension given up you will receive £12 lump sum.

Taking AVCs as cash

If you pay additional voluntary contributions (AVCs) via the LGPS you may elect to take up to 100% of the accumulated fund in your AVC account as a tax free lump sum if you draw it at the same time as your LGPS pension

benefits, provided when added to the LGPS lump sum it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund).

Please note: Providing the total lump sum does not exceed £400,000 (2007/08 figure) less the value of any other pension rights you have in payment.

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, widower's or civil partner's pension equal to half the pension you would have received if you had retired on health grounds (but widower's pensions could be, and civil partner's pensions will be, less than half if you have membership in the scheme before 6 April 1988)
- Pensions for eligible children
- A lump sum death grant of 2 years pay





Please note: 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.

If you die after retiring on pension, a widow’s, widower’s or civil partner’s pension and pensions for eligible children are payable. A widow’s pension is equal to half of your pension unless you marry after retirement in which case it could be less than half your pension. A widower’s pension is equal to half of your pension (but could be less if you have membership in the scheme before 6 April 1988). A civil partner’s pension is equal to half of the pension you accrued in the scheme after 5 April 1988. A death grant is 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.

Please note: The pension prior to any reduction for early payment and prior to any pension commuted for a larger 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, 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 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 deferred benefits to another pension scheme the deferred benefits will become payable at age 65 (unless you elect to defer drawing them till later), but may be put into payment earlier, and in full,

in the event of permanent ill health. You can also elect to receive deferred 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 will be subject to a reduction 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 Pension

Section 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.

A leaflet explaining the Internal Disputes Resolution Procedure in detail is available on request from the Pension Section.

- **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

11 Belgrave Road
London
SW1V 1RB
Telephone: 0207 834 9144

- **Pensions Ombudsman**

In cases where a complaint or dispute cannot be resolved after the intervention of OPAS, 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:

- **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.

Further information

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 (£1.6 million in 2007/08) or whose pension benefits increase in any tax year by more than the Annual Allowance (£225,000 in 2007/08), 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.

Disclaimer

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.





London Pensions Fund Authority
Dexter House, 4th floor
2 Royal Mint Court
London
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Our offices are open from
8.30 am to 5 pm, Monday to Friday

Text-phone enquiries: 020 7369 6119

LPFA Pensions Team
Telephone: 020 7369 6118
Email: enquiries@lpfa.org.uk
Website: www.lpfa.org.uk

Customers Charter

The detailed provisions of our charter can be found on the scheme members website www.lpfa.org.uk. The main provisions are summarised below:

We will:

- process your application to join the scheme within 10 working days
- action a request for a calculation or payment of a transfer within 10 working days
- respond to your request about purchasing additional pension with 10 working days
- provide a statement of benefits once per year
- inform you of all changes to the scheme
- provide an estimate of accrued benefits within 10 working days of request

Other charter standards in respect of leaving the scheme can be found on the website or in the booklet entitled Leaving the Pension Scheme



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