

The Local Government Pension Scheme

Guide for New Members

This is a short guide to the Local Government Pension Scheme (LGPS). It will give you membership details, will highlight the main scheme benefits and tell you how to contact the Pension Service for guidance.

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, under the age of 75 years who work in Local Government, or in other organisations that have chosen to participate in it.

As a new employee with Enfield Council, you will automatically become a member of the LGPS unless one of the following applies:

- you opt not to join
- you have previously opted out
- you are a casual employee or on a contract of less than 3 months

Even though admittance into the scheme is automatic, **you are required to complete the Local Government Pension Scheme (LGPS) Membership Form**. HR sent this form to you, when you started your employment.

If you have previously opted out, you can join the scheme but you must elect to do so by completing the form referred to directly above.

Can I opt-out of the scheme and re-join at a later date?

You can leave the scheme at any time. Contact the Pension Team and they will ask you to sign an opting out form. If you opt-out you can opt back into the Scheme provided at that time you have a contract of employment that's for at least three months and you are under age 75. You may wish to obtain independent financial advice before you make a decision to opt-out of the scheme.

What do I pay?

Your contribution is a percentage of your total pensionable pay. Pension contributions are calculated before Tax deductions are made. As a member of the LGPS you will pay National Insurance at a lower 'contracted-out rate'.

This is because, as a member of the scheme, you have contracted-out of the State Second Pension Scheme. As a consequence of paying reduced National Insurance contributions, you will not earn any benefits under the State Second Pension scheme. You will however build up benefits under the LGPS.

Your contribution percentage will depend upon your Full time equivalent salary, as below;

Full time Equivalent Salary	Contribution Rate Per Year
£0 - £12,000	5.5 %
£12,000.01 - £14,000	5.8 %
£14,000.01 - £18,000	5.9 %
£18,000.01 - £30,000	6.5 %
£30,000.01 - £40,000	6.8 %
£40,000.01 - £75,000	7.2 %
£75,000.01 or more	7.5 %

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.

Does my employer contribute?

Currently Enfield Council pays 18.5% of your total pensionable pay into the pension fund. Every three years an independent review of Enfield's Pension Fund is undertaken to calculate how much they need to contribute to the Scheme.

Can I pay more to increase my benefits ?

Scheme members are able to buy extra scheme pension in steps of £250 up to a maximum of £5,000 or by making payments to the scheme's Additional Voluntary Contributions (AVC) arrangement. You can also make payments to a personal pension, stakeholder pension or free-standing AVC scheme of your own choice. You should seek independent financial advice before proceeding with any of the above.

Can I transfer pension benefits into the LGPS ?

Generally speaking, benefits that you have previously accrued in the LGPS or in other pension schemes can be transferred. An option to transfer your pension rights must be made within twelve months of joining the LGPS.

When can I retire?

Currently you can retire and receive your LGPS benefits in full once you have attained your normal retirement date, usually age 65 for both men and women. The Scheme does however make provisions for the early payment of your LGPS benefits.

What are my retirement benefits?

When you retire, you will receive a pension paid for life and a potential tax-free lump sum, dependent on your opting in date.

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 benefits from age 60 onwards.

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 may be reduced. The reduction depends on your age at retirement and your total years membership in the scheme.

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) and have at least three months total membership in the Scheme or have transferred other pension rights into the Scheme 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 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. 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.

How much will my pension be?

Your pension is based on your length of total membership in the scheme, and the best of your last 3 years whole time equivalent pay. 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.

1) The calculation used for service for service from the 1st of April 2008 is:

$$\frac{\text{final years pensionable pay}}{60} \times \text{years of membership in the scheme}$$

2) The calculation used for accrued service prior to 1st April 2008 is:

$$\frac{\text{final years pensionable pay}}{80} \times \text{years of membership in the scheme}$$

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 used is:

$$\frac{3}{80} \times \text{final pensionable pay} \times \text{years of membership in the scheme. up to 1}^{\text{st}} \text{ April 2008}$$

Only service accrued up to 1st of April 2008 will be used. Service after this date will not attract a lump sum calculation unless you elect to convert some of the pension to lump sum described later in this guide.

Examples of Pension and Lump Sum Calculation

Retiring at 65 years, if the scheme member has 30 years total membership and has a final salary of £16,400.

The annual pension is therefore:

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

The tax-free lump sum is therefore:

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

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

Annual Pension:

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

Lump Sum:

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

Retiring at age 65 years, if the scheme member has 20 years pre April 2008 and 10 Years post April 2008 and has a final salary of £16,400.

The annual pension is therefore:

$$\frac{16,400}{80} \times 20 = \mathbf{£4,100}$$

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The annual pension is therefore:

$$\frac{16,400}{60} \times 10 = \mathbf{£2,733.33}$$

The tax-free lump sum is therefore:

$$\frac{3}{80} \times 16,400 \times 20 = \mathbf{£12,300}$$

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

You can draw up to 25% of the capital value of your pension benefits as a tax-free 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 AVC's as cash

If you pay additional voluntary contributions (AVC's) via the LGPS you can 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 that when added to the LGPS lump sum it does not exceed 25% of the capital value of your pension benefits.

The capital value of your pension benefits is calculated by multiplying your pension by 20 and adding the lump sum. As a rough guide the current lump sum paid on retirement equates to approximately 15% of the capital value of the pension benefits.

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 Price 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 Price 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, civil partner's 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. Widower's pensions could be and civil partner's pensions and nominated co-habiting partner's will be less than half if you have membership in the scheme before 6th 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. 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 civil partner's pension or nominated co-habiting partner's pension is equal to half of the pension you accrued in the scheme after 5th April 1988. A death grant is only payable if less than ten years pension has been paid and you are under age 75 at the date of death, in which case the balance of pension is paid as a lump sum.

You can say who you would want any death grant to be paid to by completing a nomination of beneficiary form. You can request a form from the Pension Team. The Scheme's administering authority, however, retains absolute discretion when deciding whom to pay any death grant to.

New pension provision for Co-Habiting partners

The new 2008 regulations allow a member to nominate a co-habiting partner to receive pension benefits upon their death. To nominate a co-habiting partner your relationship has to meet certain conditions. If you wish to make a nomination you can obtain a form from the Pensions Section.

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 National Insurance. A higher rate of National Insurance is payable if you are not a member of the contracted-out pension scheme.

Deferred 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 deferred benefits within the LGPS. Your deferred pension and lump sum payments will be calculated 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 your normal retirement date (usually age 65). These payments may be paid earlier in the event of permanent ill health.

You can elect to receive deferred benefits early, from age 60 onwards. Benefits paid early will be reduced to take account of their early payment and the fact that your pension will be paid for longer.

Also, don't forget to keep your pension providers up to date with any change in your home address.

Transferring your benefits

If you leave the scheme at least one year before your normal retirement date and you are entitled to deferred benefits you may transfer the cash equivalent of your pension benefits into a new employer's scheme, a personal or stakeholder pension scheme or 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.

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

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 Team 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. As the scheme is well regulated, there are a number of other regulatory bodies that may be able to assist you, please contact the Pension Team for details.

Further information

This short guide cannot cover every personal circumstance. Please contact the Pension Team if you require more detailed information about the scheme.

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