

Is the Local Government Pension Scheme for me?



WARWICKSHIRE --- pension fund

Local Government Pension Scheme
(LGPS) in England and Wales

2011 Edition



Is the Local Government Pension Scheme for me?

The Local Government Pension Scheme (LGPS) allows you to save while you are working in order to enjoy a pension once you retire. What's more, the LGPS is provided by your employer who pays part of the cost of providing the excellent range of benefits, so it's an extremely valuable part of your employment package.

To be able to join the LGPS you need a contract of employment for at least three months and be under age 75.

As a member, the LGPS will provide you with a secure future retirement income, independent of share prices and stock market fluctuations. The benefits of joining the LGPS also include life cover and family benefits in the event of your death. There's also cover in the event of your early retirement on the grounds of permanent ill-health, redundancy or business efficiency. You also have the option to exchange part of your pension for some tax-free cash on retirement.

If these things are of value to you, it's worth considering paying into the LGPS. As a member of the LGPS you have the security of these benefits at relatively low cost.

How much it costs you depends on how much you are paid but it currently falls within a range from 5.5% for those whose whole-time pay rate is less than £12,901 up to 7.5% for those whose rate is more than £81,100. The rate you pay depends on which pay band your whole-time pay rate falls into; the lower your pay rate the lower your contribution rate.

The cost of being a member of the LGPS is less than you might think. If you pay tax and National Insurance you get tax relief on your contributions and you pay a lower rate of National Insurance whilst you are under state pension age as you won't pay into the State Second Pension (a small extra pension on top of the State pension). This is because the LGPS provides you with a good pension instead.

You could, of course, just depend on the State pension, but will this be enough to provide you with the standard of living in retirement you wish to have? The full basic State Pension is currently £102.15 a week from April 2011 for a single person and £163.35 a week for a couple, although your individual circumstances may affect the amount you get.

Even if you are part-time, it's worth thinking of joining the LGPS

- As a part-time employee you enjoy the full range of benefits the LGPS provides. There is no minimum hours requirement to join the LGPS, you just need a contract of employment that's for at least 3 months.
- Although the contribution rate you pay is based on the whole-time pay rate for your job, you only pay contributions on the pay you actually earn.
- As a part-timer you receive less pay than an equivalent full-timer and pay less in contributions to the LGPS, so your benefits build up at a proportionate rate to those of a full-time employee.

Let's look at someone retiring at age 65 with 20 years full-time membership in the Scheme and a final year's pay of £18,000.

Their annual pension is:

$$20 \text{ years} \times 1/60\text{th} \times £18,000 = £6,000$$

Let's assume that same person had always worked half-time for 20 years i.e. 18½ hours a week in a job where the full-time hours would be 37 per week and with a part-time final pay of £9,000.

Membership to be used in calculating benefits is reduced like this:

$$20 \text{ years} \times \text{half-time} (18\frac{1}{2} \div 37) = 10 \text{ years}$$

And we would use a full-time equivalent pay figure, so their annual pension is:

$$10 \text{ years} \times 1/60\text{th} \times £18,000 = £3,000$$

They will have paid half the contributions and receive half the benefits of the equivalent full-time person.

The proposed changes to the pension scheme from April 2015 will see a change in how the retirement benefits are calculated. Further information about the changes can be seen on our website.

Each time you increase or decrease your working hours your membership is adjusted to reflect your hours as they change throughout your employment.

- If you decide not to join the LGPS straight away or you haven't got a contract of employment that's for at least 3 months when you first start working for an LGPS employer, you can come in later if you change your mind or you get a contract that's for at least 3 months.
- You also have valuable life cover and family benefits from the moment you join the LGPS. There's a lump sum of 3 years pay if you die in service; that's 3 years part-time pay if you are part-time. There's also cover for your family, with

a pension for your husband, wife, registered civil partner or nominated co-habiting partner and for eligible children if you die in service or die after leaving with a pension entitlement.

Even if you aren't working for this employer for long, it's worth thinking of joining the LGPS

- Many people move jobs frequently. If you do, consider how best to save for your retirement. By joining the LGPS you are saving towards your retirement while you're working. Remember, you have to have a contract that's for at least 3 months to join the LGPS.
- You also have valuable life cover and family benefits. From the moment you join the LGPS there's a lump sum of 3 years pay if you die in service. There's also cover for your family, with a pension for your husband, wife, registered civil partner or nominated co-habiting partner and for eligible children if you die in service or die after leaving with a pension entitlement.
- As an LGPS member, you won't risk losing your contributions if you move on: on leaving your job, you can choose to transfer your LGPS pension rights to your new pension provider.
- As an alternative, if you leave with less than 3 months membership in the LGPS you may be able to claim a refund of your contributions, less a payment for tax and state pension. If you have at least 3 months membership in the LGPS, you can choose to leave your benefits in the LGPS as a deferred pension. The deferred pension will be held in the LGPS until it is due to be paid, normally from age 65, or until you decide to transfer it to another pension scheme that you join in the future. Whilst it is held in the LGPS, the value of your LGPS pension increases every year in line with the cost of living.

Even if you're over age 65, it's worth thinking of joining the LGPS

- Provided you are under age 75 and have a contract that's for at least 3 months, you can join the LGPS and enjoy the excellent range of benefits provided by the LGPS.
- You also have valuable life cover and family benefits from the moment you join the LGPS. There's a lump sum of 3 years pay if you die in service and cover for your family, with a pension for your husband, wife, registered civil partner or nominated co-habiting partner and for eligible children if you die in service or die after leaving with a pension entitlement.
- You only need 3 months membership in the LGPS to earn a pension entitlement when you retire. You can receive your pension when you retire or you reach the eve of your 75th birthday, whichever comes first. And as you are over 65, your pension will be paid at an increased rate to reflect that it will be paid for a shorter time.

No matter how young you are, it's never too early to plan for your retirement.

- You may think that retirement is a long way off and so isn't something to worry about in the short term. However, it's never too early to plan for your retirement. Contributions you pay now go towards your retirement benefits for your future. If you put off making a decision, it may be difficult to catch up later.
- The LGPS is a good form of long term saving as your contributions are deducted from your gross pay before the deduction of tax. You also pay less National Insurance as you won't pay into the State Second Pension (a small extra pension on top of the State pension). This is because the LGPS provides you with a good pension instead.

And finally

- Remember, your employer pays into the LGPS too, so if you don't join you are, in effect, voluntarily giving up part of your pay package.
- You are fortunate enough to have access to the LGPS, a good quality pension scheme that will provide you with a guaranteed level of income when you retire that's not linked in any way to the stock market. Surely it is worthwhile considering joining at the earliest opportunity.

Contact Us

If you want to know more about the Local Government Pension Scheme and how to join, you can contact us at:

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The national web site for members of the LGPS can be found at
www.lgps.org.uk

This leaflet is for employees in England or Wales and was up-to-date at the time of publication in April 2011 and reflects the current provisions of the LGPS. Changes to the scheme may be made by the Government in the future after consultation with interested parties.

This is a brief leaflet about the cost and benefits of joining the Local Government Pension Scheme that apply from 1 April 2008. It is for employees whose employer offers them membership of the Scheme and cannot cover every personal circumstance including the tax position of high earners. If there is any dispute over your pension benefits, the appropriate legislation will apply. This leaflet does not give you any contractual or legal rights, and is provided for information purposes only.

