

## LGPS Starter Information Booklet

Confirming your details

Combining previous LGPS pensions

**Please complete a Membership Option form on the [Member Portal](#). Please complete this form within 1 year of joining the LGPS.**

This booklet is for general use so cannot cover every circumstance. It does not give you any rights under contract or statute law. LGPS rules will apply if there is any dispute over your pension.

## **Starter Information in the Local Government Pension Scheme (LGPS)**

This is for use once your employer has opted you into the LGPS pension scheme. For most employees this happens automatically, however if you are not a member and are eligible, then you should contact your employer to arrange membership first.

This booklet:

- Introduces the LGPS (page 3)
- Lets you know how to opt out and what will happen if you do (page 5)
- Informs you of what to consider if you have other LGPS pensions (pages 8-11)

What do you need to do?

- ✓ Read through the information contained in this booklet
- ✓ Complete the Membership Option form found on the [Member Portal](#) within 1 year of joining the scheme to confirm how you wish any previous LGPS membership to be treated. If you need the form in an alternative format, please see our [resources](#) page on the website
- ✓ Complete 'Death Grant Expression of Wish' Form which can be found on the Member Portal
- ✓ If you have non LGPS pensions that you may wish to transfer in to your new LGPS membership, read the 'Transfer Booklet' available on the Hampshire Pension Services website. **(please note you must opt to transfer within one year of joining the LGPS)**

**If you have any questions please contact Hampshire Pension Services:**

Phone: 01962 845588

Email: [pensions@hants.gov.uk](mailto:pensions@hants.gov.uk)

Website: Hampshire: [www.hants.gov.uk/pensions](http://www.hants.gov.uk/pensions)

Member Portal My Message: <https://upmliveportal.hants.gov.uk/>

### **General Pension Information**

#### **Independent Financial advice**

Pension Services can give you information about your pension, but we cannot give financial or tax advice. We are not allowed to advise you to take a particular course of action when a choice arises. Instead, you may wish to seek the assistance of an independent financial adviser or tax adviser. Some advisers may charge you for their services.

## **Pensions Advisory Service**

At any stage, you or your beneficiaries can contact the Pensions Advisory Service for free and impartial guidance concerning your pension arrangements at:

The Pensions Advisory Service  
11 Belgrave Road, London, SW1V 1RB

Telephone: 0800 0113797

Website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

# About the Local Government Pension Scheme (LGPS)

## **Scheme details**

The LGPS is a statutory pension scheme, registered with HM Revenue and Customs for tax purposes. It is a defined benefit scheme, where the benefits to be paid at retirement are defined by the scheme regulations.

It is a Career Average Revalued Earnings scheme (CARE). Every scheme year, a pension equal to 1/49 of your pensionable pay is added to your pension account. Every April your pension account will be adjusted in line with inflation (for further details see below “how is my pension calculated”).

## **Scheme membership**

To be able to join the Local Government Pension Scheme (LGPS) you need to be under age 75 and work for an employer that offers membership of the scheme.

The LGPS is offered by local government employers and by other organisations that have chosen to participate in it. If you are employed by a designating body, such as a town or parish council, or a non-local government organisation which participates in the LGPS as an admission body, you can only join if your employer nominates you for membership of the scheme.

If you start a job in which you are eligible for membership of the LGPS you will be brought into the scheme, if your contract of employment is three months or more. If it is less than 3 months, then please contact your employer for details if you wish to join the scheme.

If you are brought in the scheme you have the right to opt out. You cannot complete an opt out form until you have started your LGPS membership.

## **Scheme Contributions**

A member’s contribution to the scheme is a percentage of their pensionable pay and is based on a banding system. The rates are reviewed annually by the government and the up to date rates and banding can be viewed on our website.

Your employer can review your contribution rate each month dependent on their policy, however, as a minimum they must review the rate once a year in April.

The member’s employer will pay approximately twice the amount of the member’s contributions. The employer’s contribution rate will be set by the scheme actuary following a scheme valuation.

## **Scheme benefits**

The benefits payable under the scheme are:

- A choice of tax -free lump sum when you retire – subject to HM Revenue and Customs limits,
- An annual pension on retirement based on the pension you have built up,
- The ability to pay 50% contributions for 50% pension benefits.
- The ability to increase your pension by paying extra contributions,
- Voluntary retirement from age 55, subject to reductions if pension is claimed before your state pension age,
- An ill health pension from any age (subject to qualifying service for a period of two years),
- A death in service lump sum of three times your pensionable pay,
- A spouse's, civil partner's or cohabiting partner's pension in the vent of a member's death
- Childrens pension for eligible children in the event of a member's death.

## **Additional contributions**

Members of the LGPS can increase their pension benefits in two ways:

- **Paying Additional Pension Contributions (APCs):** A member can buy additional pension for themselves either by regular contributions or by paying a lump sum amount.
- **Paying into an in-house Additional Voluntary Contribution (AVC) scheme:**

Please see our website for details of these options.

## **If you opt out of the pension scheme**

If you opt out of the scheme within three months of joining, any pension contributions you have paid will be returned with your pay and your membership will be cancelled.

If you opt out of the scheme more than three months after joining, your contributions will be treated as if you had left your job (see below "If you leave your job").

A person is free to opt out of the scheme and rejoin as many times as they wish.

## **Normal Pension Age**

Normal Pension Age (NPA) is linked to your State Pension Age (but with a minimum of age 65) and is the age at which you can take the pension you have built up, in full. If you choose to take your pension before your NPA, it will normally be reduced, as it's being paid earlier. If you take it later than you NPA, it will be increased because it's being paid later.

At any age you may receive your pension early if you qualify for ill health pension.

## **Pensionable Pay**

Pensionable pay is the pay on which you pay pension contributions, and which is used to calculate your CARE pension. Typically, pensionable pay includes:

- Your normal salary or wages,
- Bonuses,
- Overtime (both contractual and non-contractual),
- Maternity, paternity, adoption and shared parental pay,
- Shift allowance,
- Additional hours payments if you work part-time,
- Any other taxable benefit specified in your contract as being pensionable

You do **not** pay contributions on:

- Any travelling or subsistence allowances,
- Pay in lieu of notice,
- Pay in lieu of loss of holidays,
- Payment as an inducement not to leave before the payment is made,
- Any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay,
- Pay relating to loss of future pensionable payments or benefits,
- Pay paid by your employer if you go on reserve forces service leave,
- The monetary value of a car or pay received in lieu of a car,
- Any sum which has not had tax liability determined on it.

## **How is my pension calculated?**

The LGPS has been a CARE scheme since 1 April 2014. The following example shows how pension is calculated.

Example: Ben is in the main section of the scheme from 1 April 2018 to 31 March 2019 and had pensionable pay of £24,500 during that year.

Section of the scheme	Main
Rate of build up	1/49
Pensionable pay	£24,500
Amount of pension built up	£500 (£24,500 divided by 49)
Increase with CPI (2.4%)	£512

At the end of the scheme year, £500 is added to Ben's pension account. However, to ensure that the pension keeps its value, the total pension account will be adjusted in line with the cost of living (CPI).

If inflation was 2.4%, Ben's total pension account would be increased on 1 April 2019 to £512 (£500 times 2.4% is £12).

If Ben had been in the 50/50 scheme for the year ending 31 March 2019, pension benefits he would have built up would have been half the amounts shown above.

Pensions in payment will be revalued in line with CPI.

## Do you have other LGPS pension accounts?

### Deferred LGPS pension account

You must normally make a decision about your deferred LGPS accounts within a year of starting to pay into your new account, and whilst still paying into it.

<b>Deferred Pension account - membership before April 2014</b>
Your LGPS accounts will stay separate. <b>If you want to combine them you must elect to do so, using Form B.</b>
If you elect to combine them and you haven't had a continuous break of more than five years, you will retain the final salary link to all of your benefits built up before 1 April 2014. If you have had a break of more than five years, your previous LGPS membership will purchase an amount of pension in your new pension account.
The employer responsible for your new LGPS account can extend the one year limit for making a decision if their policy allows.
<b>Deferred Pension account – membership ended after April 2014.</b>
Your LGPS accounts will automatically be combined after 12 months. <b>If you want to keep them separate or combine them sooner you must elect to do so, using Form B.</b>
The final salary link will be retained in respect of any pre April 2014 membership, where there has not been a break of more than 5 years since the account was deferred.
The employer responsible for your new LGPS account can extend the one year limit for making a decision if their policy allows.

### LGPS frozen refund accounts

You will have a frozen refund if you previously paid into the LGPS but stopped before you had built up any pension, and if you have not yet received a refund of contributions or transferred the benefits to another pension. Your frozen refund account will be added to your new LGPS account automatically, there is no option to defer.

## **Other active LGPS accounts**

If you are paying into more than one LGPS account at a time, they must stay separate. If you stop paying into one of the accounts you will have to decide whether the accounts should be combined or left separate.

**Key differences to electing to keep deferred benefit separate?**

	<b>Combined Benefits</b>	<b>Separate Benefits</b>
Redundancy/Efficiency	<p>Benefits paid early because of redundancy or efficiency would include the value of earlier deferred benefits that have been transferred.</p> <p>If you are made redundant or lose your job for business reasons when aged 55 or over then your benefits would be paid immediately and would include the value of the pension that transferred from your deferred benefit.</p>	<p>Benefits paid early because of redundancy or efficiency in your on-going employment would <b>not</b> include the value of earlier deferred benefits.</p> <p>If in your ongoing employment, you are made redundant or lose your job for business efficiency reasons which aged 55 or over then your benefits from that employment would be payable immediately but would <b>not</b> include the value of your deferred benefit (because you had elected to retain that as a separate benefit)</p>
Ill Health	<p>Any benefits payable early because of ill health would include the value of earlier deferred benefits that have been transferred.</p> <p>Your benefits will become payable immediately if your employer decides, based on the opinion of an independent doctor, that you are permanently unable to perform the duties of your employment</p>	<p>Benefits paid early because of ill health in your on-going employment would <b>not</b> include the value of earlier deferred benefits.</p> <p>Your benefits from your ongoing employment will become payable immediately if your employer decides, based on the opinion of an independent doctor, that you are permanently unable to</p>

	<p>due to ill health and you are not capable of undertaking other gainful employment.</p>	<p>perform the duties of your employment due to ill health and you are not capable of undertaking other gainful employment.</p> <p>Your separate deferred benefit may become payable but that would only be if your former employer decided in light of the view from an independent doctor that you are permanently incapable of the job you were working in when you left the employment in respect of which the deferred benefits were awarded, and that you are not likely to be capable of undertaking other gainful employment before your Normal Pension Age.</p>
<p>Early Payment of Benefits</p>	<p>You can voluntarily choose to draw the combined benefits from as early as age 55 (at normally, a reduced rate to account for early payment).</p> <p>However, the combined benefits would be payable at the same time (i.e. cannot be paid at different times) and cannot be paid until you have ceased your ongoing employment.</p>	<p>You may voluntarily choose to draw:</p> <ul style="list-style-type: none"> <li>a) Your deferred benefits from as early as age 55 (at, normally a reduced rate for early payment) and</li> <li>b) The pension you build up in your pension account in your new employment from as early as age 55 (at,</li> </ul>

		<p>normally a reduced rate to account for early payment)</p> <p>The deferred benefits do not have to be drawn at the same time as the benefits from your on-going employment. They can be drawn later than or at the same time, but if the deferred benefits relate to a period of membership that ended before 1 April 1998 they can only be taken reduced at <b>age 55 only</b>,</p>
<p>Cost of living increases</p>	<p>The combined benefits will be subject to revaluation each year in accordance with HM Treasury Orders. The revaluation is currently in line with the rise in the <b>Consumer Prices Index</b>. However, in times of negative inflation, the revaluation under a HM Treasury Order could be negative.</p>	<p>The benefits in the active pension account for your new employment will be subject to revaluation each year in accordance with HM Treasury Orders. The revaluation is currently in line with the rise in the <b>Consumer Price Index</b>. However in times of negative inflation, the revaluation under a HM Treasury Order could be negative.</p> <p>The benefits in the deferred pension account will be subject to revaluation each year under the Pensions (Increase) Act 1971. The revaluation is currently in line with the rise in the <b>Consumer Prices Index</b></p>

		(see glossary for more information). In times of negative inflation, the revaluation under the Pensions (Increase) Act 1971 would be 0% (i.e. it cannot be a negative amount).
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**Other key areas to consider:**

**Death in Service lump sum**

As a member of the LGPS if you die in service a lump sum of three times your annual pensionable pay would be payable. If you have a deferred pension, and die before it is paid, a lump sum equal to 5 times the deferred pension is paid. However, only one amount for lump sum life cover is payable from the LGPS so, even if you keep your deferred benefits separate from your active pension account, only the greater of the lump sum life cover for your deferred benefit or for your active pension account would be payable.

**Transferring the value of your deferred benefit to another pension scheme**

Please note that even if you choose not to combine your benefits you will not be able to transfer the value of your deferred benefits to another pension scheme whilst you are contributing to the LGPS or if you have less than one year to go before reaching your Normal Pension Age.