The Local Government Pension Scheme

A short guide

Dorset County Pension Fund
The Local Government Pension Scheme (LGPS) is a tax approved, defined benefit occupational pension scheme. The benefits under the scheme are set out in law and are based on the length of your membership and your final salary. The alternatives to joining the scheme are to take out a Personal or Stakeholder Pension or to rely on the State Pension.

Who can join?
Entry into the scheme is automatic as long as you have a contract of 3 months or more. However if your employer has admitted body status within the scheme, they will ask you to complete a ‘Pension Membership Form’.

To ensure you have become a member of the scheme, you should check your payslips to see that pension contributions are being deducted.

How Much Does It Cost?
There are different contribution rates for different pay bands. These rates have been designed to give equality between the cost and benefits of scheme membership.

The rates are between 5.5 and 7.5% of your pensionable pay. The rate you pay depends on which pay band you fall into.

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.

If you work term-time only your contribution rate will be based on your full-time equivalent term-time pay, although you will only pay contributions on the pay you actually earn.
Here are the pay bands from April 2008:

<table>
<thead>
<tr>
<th>If your Whole Time Equivalent Pay Rate is:</th>
<th>Your Contribution Rate will be:</th>
</tr>
</thead>
<tbody>
<tr>
<td>£0 to £12,000</td>
<td>5.5%</td>
</tr>
<tr>
<td>£12,001 to £14,000</td>
<td>5.8%</td>
</tr>
<tr>
<td>£14,001 to £18,000</td>
<td>5.9%</td>
</tr>
<tr>
<td>£18,001 to £30,000</td>
<td>6.5%</td>
</tr>
<tr>
<td>£30,001 to £40,000</td>
<td>6.8%</td>
</tr>
<tr>
<td>£40,001 to £75,000</td>
<td>7.2%</td>
</tr>
<tr>
<td>More than £75,000</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

The pay bands will be adjusted each April in line with the cost of living.

If you are a tax payer, you will get tax relief on your contributions. As the scheme is contracted out of the State Second Pension Scheme (S2P), you will also pay reduced National Insurance Contributions.

Membership of the scheme is not compulsory. You can elect to opt-out at any time. However, you will normally only receive a refund of your contributions if you opt-out within 3 months of joining. If you wish to opt out of the scheme, please ask your employer for an ‘Application to Opt-Out of the LGPS’ form.

**What are the Main Benefits of Joining the Scheme?**

**Annual Pension**

Paid from age 65, these benefits are based on the period of membership that you have in the scheme and your final pensionable pay. Your final pensionable pay will normally be the pensionable earnings of your final year of service, ending with the day on which you cease employment. Your benefits are calculated like this:-

\[
\text{Annual pension} = \text{Period of Membership} \times \frac{1}{60} \times \text{Final Pensionable Pay}
\]

It is also possible to exchange some pension for a tax free lump sum, up to 25% of the overall value of the pension benefits can be taken as a lump sum, with £12 lump sum for each £1 of annual pension given up.
If you have at least three months membership or have transferred other pension rights into the LGPS, you can elect to retire and receive a reduced pension from age 60 onwards. Your benefits may also be payable between the ages of 55 and 59, but only if your employer gives their consent. This is an employer discretion. Ask your employer for details of their discretionary policies.

**Ill Health Benefits**

If you have to leave work at any age due to permanent ill-health the scheme provides a tiered ill-health retirement package. This gives graded levels of benefit based on how likely you are to be capable of gainful employment after you leave.

If you have at least 3 months in the pension scheme and you have no reasonable prospect of being capable of gainful employment before age 65, ill health benefits in the scheme are based on your membership built up to date of leaving plus all your prospective membership from leaving to age 65. In other words, your pension will be based on the membership you would have had if you had stayed in the Scheme until age 65.

If you have at least 3 months in the pension scheme and you are unlikely to be capable of gainful employment within a reasonable period of leaving, but you may be capable of gainful employment at some date in the future before age 65, ill health benefits in the new scheme are based on your membership built up to leaving plus 25% of your prospective membership from leaving to age 65.

If you have at least 3 months in the pension scheme and it may be possible for you to obtain alternative gainful employment within 3 years of leaving, then a reviewable pension based on your membership to date of leaving only may be provided until such time as you obtain gainful employment or for up to 3 years after leaving.

**Payment of Benefits if you are Made Redundant**

If you are aged 55 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.
Flexible Retirement
If you reduce your hours or grade and your employer agrees you can draw some or all of your benefits built up prior to taking flexible retirement. If you take flexible retirement before age 65 you benefits will be reduced for early payment, the earliest age benefits can be taken is age 55 with your employer’s consent.

Death Benefits
If you die as a member of the LGPS, a lump sum death grant of 3 times your pay is payable, no matter how long you have been a member of the scheme. It is important that you complete an ‘Expression of Wish Form’, which enables you to name your chosen beneficiary(ies). This makes payment of the death grant quicker and has tax benefits for your estate. Please contact the Pension Section to get a copy of this form. If you leave a spouse/civil partner/nominated cohabiting partner or any eligible children, the following benefits will normally be payable:

Widows/widowers Pension - A pension, based on 1/160th of your final year’s pay for each year of membership, plus the prospective membership between the date of death and age 65.

Civil Partner’s/Cohabiting Partner’s Pension - A pension, calculated in the same way as that of a widow/widower but only based on membership after 6th April 1988.

Children’s Pension - The amount of pension to be paid to eligible children depends on the number of eligible children and whether or not a spouse’s, civil partner’s or nominated cohabiting partner’s pension is payable.

If you die after your pension has come into payment, a spouse’s/civil partner’s/cohabiting partner’s pension and a pension for any eligible children are payable. If you die within the first 10 years of going onto pension (but before age 75), a death grant, equal to 10 years pension less any pension you have already received, is also payable.

To nominate a cohabiting partner your relationship has to meet certain conditions laid down by the LGPS. If you wish to make a nomination you can obtain a form by contacting the helpline overleaf:
Increases to your Pension in Payment
Once you have reached age 55, your pension will be increased each year in line with the Retail Prices Index. If you receive an ill health pension, it will normally be increased every year in line with the Retail Prices Index regardless of age.

Leaving Employment Without Immediate Entitlement to Benefits
If you leave the LGPS with less than 3 months membership, have not transferred previous pension rights into the scheme, you may either transfer the value of your pension into another pension scheme or take a refund of your contributions less any deductions for tax and the cost of buying back into the State Second Pension Scheme (S2P).

If you leave before the normal retirement age of 65 and your total membership is three months or more or you have transferred previous pension rights into the scheme, you will be entitled to a preserved pension. These will usually be paid at your normal retirement date, but may be paid earlier in the event of ill health. Your preserved pension will be increased each year, in line with the Retail Prices Index.

You may transfer your preserved pension benefits into another pension scheme if they are prepared to accept it. Alternatively, if you return to employment with an employer participating in the LGPS, then you may request (within 12 months of rejoining the scheme), that your preserved pension be added to your new period of membership.

Can I Transfer Other Pension Benefits into the LGPS
Any pension benefits which you have previously accrued can generally be transferred into the LGPS. If you wish to consider transferring your previous pension benefits, you must make your election within 12 months of joining the scheme. If you have not received the form ‘Pension Membership Form’ from your employer, please contact the helpline below.

If you have lost touch with your former pension scheme, the Pensions Tracing Registry may be able to locate the scheme for you.
Can I Increase my Pension Benefits?
You can increase your pension benefits by paying more contributions to buy up to £5,000 of extra annual pension in multiples of £250, making payments into the scheme’s Additional Voluntary Contribution (AVC) arrangement, or by making payment into a personal pension, stakeholder pension or a Freestanding AVC scheme. You may also be able to increase your life cover by making payments to the scheme’s AVC arrangement.

For further information on increasing your pension benefits please contact the helpline below.

Further Information and Disclaimer
This short guide cannot cover every personal circumstance and does not cover rights that apply to a limited number of employees e.g. where protected rights apply, or those whose rights are subject to a Pension Sharing Order following divorce. In the event of any dispute over your pension benefits the appropriate legislation will prevail. This short guide does not cover any contractual or statutory rights and is provided for information purposes only. More detailed information about the scheme is available from:

The Pensions Section, Dorset County Council, County Hall, Colliton Park, Dorchester, DT1 1XJ

Tel: 01305 224845
Email:pensionshelpline@dorsetcc.gov.uk

To obtain a more detailed copy of the Local Government Pension Scheme guide please contact the helpline above. Alternatively visit the Local Government Pension Scheme Members’ website on: www.lgps.org.uk
All leaflets can be made available in audio tape, large print and Braille, or alternative languages on request.