



**West Yorkshire Pension Fund**



**A brief guide**  
to the Local Government Pension Scheme

2011/2012

# Highlights

## of the Local Government Pension Scheme (LGPS) in England and Wales

### The LGPS gives you:

- **Secure benefits** – the scheme provides you with a future income, independent of share prices and stock market fluctuations.
- **At a low cost to you** – with tax-efficient savings and lower National Insurance contributions for most people under State pension age.
- **And your employer pays in too** – the scheme is provided by your employer who meets the balance of the cost of providing your benefits in the LGPS.

### You can look forward to your retirement with the LGPS with:

- **A secure pension** – the benefits you get when you retire are based on the length of your membership in the scheme and your final year's pay. The pension you build up during your employment keeps pace with your pay rises. And after you retire, your pension keeps pace with cost of living increases.
- **Tax-free cash** – you have the option to exchange part of your pension for some tax-free cash on your retirement.
- **Peace of mind** – your family enjoys financial security, with immediate life cover and a pension for your husband, wife, civil partner or nominated co-habiting partner and eligible children in the event of your death and, if you ever become seriously ill, you could receive immediate ill health benefits.
- **Early retirement** – you can choose to retire from age 60 and receive your benefits immediately, although they may be reduced for early payment. It's also possible to retire from age 55 and receive your benefits immediately, provided you have your employer's consent or you are made redundant or retired in the interests of business efficiency.
- **Flexible retirement** – if you reduce your hours or move to a less senior position at or after age 55 you can, provided your employer agrees, draw some or all of the benefits you have built up, helping you ease into retirement, although your benefits may be reduced for early payment.
- **Options to pay extra** – you can boost your pension by paying more contributions. You get tax relief on these, too.

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# The Local Government Pension Scheme (LGPS) in England and Wales

This guide explains how membership works for people who joined the LGPS on or after 1 April 2008. If you have previous membership in the LGPS different rules may apply to you depending on your age and how much membership you have.

## What kind of scheme is it?

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Local Government Pension Scheme Regulations. 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 and the scheme can only be changed by acts of parliament

## Who can join?

The LGPS covers Local Government and other organisations that have chosen to participate in it. To be able to join the LGPS you need to have a contract of employment that's for at least three months and be under age 75. If you are employed by a designated body, such as Town or Parish Council, or an admitted body, you will only be able to join if your employer allows you to. Police, firefighters and teachers are not allowed to join.

If you are eligible for membership of the Scheme, you will automatically become a member 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?

You should check your payslip to make sure 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, you can opt back into the Scheme as long as at that time you have a contract of employment that's for at least three months and you are under 75. You may wish to obtain independent financial advice before you make a decision to opt-out of the LGPS. To be eligible for a refund of the contributions you have paid you must opt out within three months of joining the scheme.

## What do I pay?

Your contribution rate depends on how much you're paid but it will be 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.

Here are the pay bands that apply from April 2011.

If your whole time pay rate is	You pay a contribution rate of
Up to £12,900	5.5%
£12,901 up to £15,100	5.8%
£15,101 up to £19,400	5.9%
£19,401 up to £32,400	6.5%
£32,401 up to £43,300	6.8%
£43,301 up to £81,100	7.2%
More than £81,100	7.5%

These pay band ranges will normally be increased each April in line with the cost of living.

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). Whilst you are a member of the LGPS you will, prior to State Pension Age, pay reduced National Insurance contributions.

### 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 pay extra to increase your retirement benefits. You can do this either by paying additional regular contributions (ARCs) to buy extra LGPS pension, by making payments to the scheme's Additional Contributions (AVC) arrangement, or by making payments to a personal pension, stakeholder pension or freestanding AVC scheme of your own choice.

**Points to note:** Under overriding tax law your pension savings in all your pension arrangements can increase in any one year up to the annual allowance. If you exceed this level you may have to pay extra tax. It is your responsibility to ensure you check and inform HMRC if extra tax is payable.

### 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 must be made within twelve months of joining or such longer period as your employer allows.

## Retirement

To be entitled to LGPS retirement benefits you have to have at least three months' membership or have transferred other pension rights into the LGPS, or already have deferred benefits in the LGPS in England and Wales.

### When can I retire?

You can retire and receive your LGPS benefits in full once you have reached age 65. The Scheme also makes provisions for the early payment of your LGPS benefits.

### What are my LGPS retirement benefits?

When you retire, you will receive a pension and have the option to take part of your pension as a tax-free lump sum. If you joined the LGPS before 1 April 2008, your standard benefit package will include an automatic tax-free lump sum as described in **The Benefits** section on page 10.

### Can I retire early?

You can elect to retire and receive your LGPS benefits from age 60 onwards. You may be able to retire and receive your LGPS benefits from age 55, but only if your employer agrees. This is an employer discretion. They must set out their policy on this in a published statement.

### Are there any penalties for retiring early and drawing immediate benefits?

If you retire before age 65 your LGPS benefits, initially calculated as set out in **The Benefits** section on page 10, will be reduced to take account of their

early payment and the fact that your pension will be payable for longer.

However, different rules apply if you joined the LGPS before 1 October 2006, depending on when you were born and how much membership you have in the Scheme.

### **What if my employer retires me on grounds of redundancy?**

If you are aged 55 or over 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 want to have a gradual move into retirement?**

This is known as flexible retirement. From age 55 if you reduce your hours or move to a less senior position, and provided your employer agrees, you can draw some or all the pension benefits you have built up, helping you ease into retirement. If you take flexible retirement before age 65, your benefits may be reduced 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. Flexible retirement is at the discretion of your employer and they must set out their policy on this in a published statement.

### **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; or
- if you take flexible retirement with your employer's consent,

whichever occurs first. 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.

# The benefits

## How much will my pension be?

Your pension is based on your total membership in the scheme and the pensionable pay you receive in, 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 benefits based on membership in the LGPS built up at any time after 31 March 2008 are calculated. For membership you build up after 31 March 2008 you receive an annual pension based on 1/60th of your final year's pensionable pay.

## Can I exchange part of my pension for a lump sum?

You can exchange part of your annual pension for a one off tax-free cash payment. You can take up to 25% of the capital value of your pension benefits as a lump sum and you will receive £12 lump sum for each £1 of pension given up providing the total lump sum does not exceed £450,000 (2010/11 figure) less the value of any other pension rights you already have in payment.

## Examples of pension and lump sum option calculation for membership after 31 March 2008

1. On retirement at age 65, a scheme member has 20 years' total membership and has a final pay of £15,000.

- Their **annual pension** is:  
 $20 \times 1/60 \times £15,000 = £5,000$
- If they decide to give up £1,000 pension for a cash lump sum, then:  
Their reduced **annual pension** is:  
 $£5,000 \text{ less } £1,000 = £4,000$
- And they will get a tax free **lump sum** of:  
 $£1,000 \times 12 = £12,000$

2. If the same employee had worked half time (i.e. 20 years at half-time = 10):

- Their **annual pension** would be:  
 $10 \text{ years} \times 1/60 \times £15,000 = £2,500$
- If they decide to give up £500 pension for a cash lump sum, their reduced **annual pension** is:  
 $£2,500 \text{ less } £500 = £2,000$
- And they would get a tax free **lump sum** of:  
 $£500 \times 12 = £6,000$

## What if I joined the LGPS before 1 April 2008?

Your benefits for membership before 1 April 2008 are calculated differently. For LGPS membership you have built up to 31 March 2008 you receive an annual pension based on 1/80th of your final year's pensionable pay and an automatic tax-free lump sum of three times your pension. Like the pension, the automatic lump sum is based on your LGPS membership before 1 April 2008 and your final year's pensionable pay. You can also exchange part of your pre April 2008 pension for extra lump sum as described above.

## 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).

## What pay is used to calculate retirement benefits?

Your retirement benefits will normally be calculated on your final year's pensionable pay (if you're part-time, your final pay is increased to what you would have received had you been full-time). However, your benefits can be calculated on one of the two previous years' pay if better and, if you downgrade in your last 10 years or your pay is restricted in that period, you have the option to have your benefits based on the average of any three consecutive years in the last 13 years (ending on a 31 March).

## Will my pension increase?

The LGPS provides statutory pension increases. This means that if you retire on or after age 55, your pension will be increased each year in line with the cost of living. 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 cost of living Indexes 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 the benefits shown below are payable.

- A spouse's, civil partner's or, subject to the certain qualifying conditions, a nominated cohabiting 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. However, spouses' pensions could be, and civil partners' and nominated cohabiting partners' pensions will be less than this if you have membership in the scheme before 6 April 1988.
- Pensions for eligible children
- A lump sum death grant of three years' pay

If you die after retiring on pension, a spouse's, civil partner's or, subject to the certain qualifying conditions, a nominated cohabiting partner's pension and pensions for eligible children are payable. A widow's pension is equal to 1/160th of your final pay multiplied by the total membership your pension is based on unless you marry after retirement in which case it could be less. A widower's pension is equal to 1/160th of your final pay multiplied by the total membership your pension is based on (but could be less if you have membership in the scheme before 6 April 1988). A civil partner's and nominated partner's pension is equal to 1/160th of your final pay multiplied by your membership in the scheme after 5 April 1988. A death grant is 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 ten years of pension is paid as a lump sum.

To nominate a cohabiting partner your relationship has to meet certain conditions laid down by the LGPS. If you wish to make a nomination please

contact us and we will send you a form to fill in.

The LGPS allows you to say who you would like any death grant to be paid to by completing a death grant 'expression of wish' form. We do, however, retain absolute discretion when deciding who to pay any death grant to.

You can download a **death grant expression of wish form** from **www.wypf.org.uk** or phone 01274 434999 and we will send you one in the post.

## 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 LGPS benefits will be calculated as described in **The Benefits** section 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, they will normally be paid at age 65 (unless you elect to defer drawing them till later), but they may be put into payment earlier, and in full, in the event of permanent ill health if you are unlikely to be capable of gainful employment within a reasonable time. You can, if you wish, elect to receive your deferred benefits early from age 60 onwards. You may be able to elect to receive your deferred benefits from age 55, but only if your former employer agrees. Benefits paid early will be reduced to take account of their early payment and the fact that your pension will be paid for longer.

If you die before your deferred benefits come into payment, a lump sum death grant equal to five years' pension will be paid. The LGPS allows you to say who you would like any death grant to be paid to by completing a

form. This form is available from us. The Scheme's administering authority, however, retains absolute discretion when deciding who to pay any death grant to.

A spouse's, civil partner's or, subject to certain qualifying conditions, a nominated cohabiting partner's pension and pensions for eligible children will also be payable. A widow's and widower's pension is equal to 1/160th of your final pay times the total membership your deferred pension is based on unless you marry after leaving in which case it could be less. A civil partner's and nominated partner's pension is equal to 1/160th of your final pay times your membership in the scheme after 5 April 1988. To nominate a cohabiting partner your relationship has to meet certain conditions laid down by the LGPS. If you wish to make a nomination please ask us for a form.

### **Transferring your benefits**

If you leave the scheme and you are entitled to deferred benefits or a refund 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. If you want to transfer your benefits, you must opt to do it before you reach age 64.

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 us at the address shown on Page 22. We 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 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 (WYPF) to have it reconsidered.

A leaflet explaining the Internal Disputes Resolution Procedure in detail is available. See the section how to contact us on page 22.

- **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  
Phone 0845 601 2923

- **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:

11 Belgrave Road  
London  
SW1V 1RB  
Phone 0207 630 2200

- **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  
Phone 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  
Phone 0845 6002 537

[Also, don't forget to keep us up to date with any change in your home address.](#)

# Some terms we use

## Additional Regular Contributions (ARCs)

These are extra payments to buy up to £5,000 of extra annual LGPS pension in blocks of £250.

## Additional Voluntary Contributions (AVCs)

These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover.

All local government pension funds have an AVC arrangement in which you can invest money through an AVC provider, often an insurance company or building society. AVCs are deducted directly from your pay and attract tax relief.

## Eligible children

Eligible children are your children. They must, at the date of your death:

- be under 18 and be wholly or mainly dependent on you, or
- be aged 18 or over and under 23, be dependent on you, and be in full-time education or undertaking vocational training (although a dependant child who commences full-time education or vocational training after the date of your death may be treated as an eligible child up to age 23), or
- in some cases, a dependant child of any age who is disabled may be classed as an eligible child.

In all cases, the children must have been born before or within a year of your death.

## Pay

The pay on which you normally pay pension contributions is your normal salary or wages plus any shift allowance, bonuses, contractual overtime, maternity pay, paternity pay, adoption pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any 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, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

## State pension age

This is the earliest age you can receive the state basic pension. State pension age is currently age 65 for men. State pension age for women is currently being increased to be equalised with that for men. The Government has announced that it will speed up the pace of State pension age equalisation for women, so that women's State pension age will reach 65 by November 2018.

### State pension age equalisation timetable for women

Date of birth	New state pension age
Before 6 April 1950	60
6 April 1950 – 5 April 1951	In the range 60–61
6 April 1951 – 5 April 1952	In the range 61–62
6 April 1952 – 5 April 1953	In the range 62–63
6 April 1953 – 5 August 1953	In the range 63–64
6 August 1953 – 5 December 1953	In the range 64–65

The State pension age will then increase to 66 for both men and women from December 2018 to April 2020.

### Increase in State pension age from 65 to 66 for men and women

Date of birth	New state pension age
6 December 1953 – 5 April 1954	In the range 65–66
After 5 April 1954	66

Under current legislation the State pension age is due to rise to 68 between 2034 and 2046.

## 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. those whose total pension benefits exceed the Lifetime Allowance (£1.8 million in 2010/11) or whose pension benefits increase in any tax year by more than the Annual Allowance (£50,000 in 2010/11); 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.

**Points to note:** Under overriding tax law your pension savings in all your pension arrangements can increase in any one year up to the annual allowance. If you exceed this level you may have to pay extra tax. It is your responsibility to ensure you check and inform HMRC if extra tax is payable.

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.

# How to contact us

**Phone** 01274 434999

**Fax** 01274 723228

**Textphone** 01274 724472  
This number is for Minicom text phones. You won't get through on this number from an ordinary phone.

**E-mail** [wypf@bradford.gov.uk](mailto:wypf@bradford.gov.uk)

**Postal address**

WYPF  
PO Box 67  
Bradford  
BD1 1UP

You can also call into our **Contact Centre** at:

Argus Chambers  
Britannia House  
Hall Ings  
Bradford

We have an induction loop for people who use a hearing aid. The Contact Centre is open weekdays between the following hours (except bank holidays and other public holidays):

- **Monday to Friday** 8.45am to 4.30pm



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2011/12



**lgps**



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