

Wiltshire Pension Fund

Choices and joining the scheme



Your Pensions Choice

In this leaflet we look at your pensions choice, who can join the Local Government Pension Scheme (LGPS) and the cost of joining. Where pension terms are used, they appear in **bold italic** type. These terms are defined at the back of this guide.

Your retirement is a goal to look forward to. However, if your retirement is to meet your expectations, you need to plan for your income in retirement.

Your retirement income and benefits, over and above the basic flat rate State pension, will in general be provided by the State Second Pension (S2P), a personal pension plan, a stakeholder pension scheme or the Local Government Pension Scheme. These are described briefly below.

Local Government Pension Scheme

The LGPS is a statutory, funded pension scheme. As such it is very secure because its benefits are defined and set out in law. Highlights of the LGPS are:

A secure pension – the benefits you get when you retire are based on your membership in the scheme and, normally, on 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 also 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 cohabiting 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, either with your employer's consent or if you are made redundant or retired in the interests of 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. Also, as a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your pay and, up to **State pension age**, you will also pay lower National Insurance contributions on earnings between the **Lower and Upper Earnings Limit**, unless you have opted to pay the married woman's/widow's reduced rate of National Insurance.

The LGPS is **contracted out** of the State Second Pension (S2P).

State Second Pension (S2P)

The State Second Pension (S2P) is part of the State Pension payable in addition to the flat rate Old Age Pension. Benefits are paid by the Department for Work and Pensions (the old DSS) and cannot be paid before **State pension age**. Initially, S2P was an earnings related pension but from April 2009 it began building up as a flat rate pension, achieving full flat rate accrual by around 2030.

Personal Pension Plans and Stakeholder Pension Schemes

Various institutions, such as banks, building societies and life assurance companies provide and administer personal pensions and stakeholder pension schemes. Your chosen organisation would invest your contributions and when you retire the investments are cashed in and the sum of money realised is used to buy retirement benefits from the insurance market. Your benefits are therefore based on investment returns and are not guaranteed or linked to your earnings. The age from which you may receive them will vary according to the plan, but you may not be able to receive that part which replaces the **State Second Pension (S2P)** before **State pension age**.

Joining the Local Government Pension Scheme (LGPS)

Who can join?

The LGPS is offered by **Local Government** employers and by other organisations that have chosen to participate in it.

If you are eligible for membership of the LGPS you will automatically become a member, unless you are employed by an **admission body** in which case you would have to opt to join. You have the right to decide not to join the Scheme.

To be able to join the LGPS you need to have a contract of employment that's for at least 3 months, be under age 75 and work for an employer that offers membership of the Scheme. If you are employed by a **designating body**, such as a Town or Parish Council, or by a non-Local Government organisation which participates in the LGPS (an **admission body**), you can only join if your employer nominates you for membership of the Scheme.

Teachers, police officers, operational firefighters and, normally, employees eligible to join another statutory pension scheme (such as the NHS Pension Scheme) are not allowed to join the LGPS.

Can I join the LGPS if I already have a personal pension or stakeholder pension scheme?

If you currently contribute to a personal pension plan or stakeholder pension scheme and decide to join the LGPS, you can, if you wish, still continue to make your own contributions to the personal pension or stakeholder pension scheme or you can stop paying into it and consider transferring it into the LGPS.

You can, if you wish, pay up to 100% of your total taxable earnings in any one tax year (or £3,600 if greater) into any number of concurrent pension arrangements of your choice and be eligible for tax relief on those contributions.

Under HM Revenue and Customs rules there are controls on the pension savings you can have before you become subject to a tax charge - these will mainly affect some higher paid people. To find out about these controls, see the leaflet on **Tax Controls and Your LGPS Benefits**.

What happens if I have a contract for less than 3 months which is subsequently extended?

If you have a contract of employment for less than 3 months which is subsequently extended so that the total period is for 3 months or more, you will (provided you are otherwise eligible to join the Scheme) automatically be entered into the Scheme upon the extension of the contract unless you are employed by an **admission body**, in which case you would have the right to opt to join. Also, unless you are employed by a **designating body** or by an **admission body**, you will have the right to backdate your membership to your first day of employment by paying the relevant contributions.

Contributions

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 pay. The rate you pay depends on which pay band you fall into. Your employer decides which pay band you fall into. Here are the pay bands that apply from April 2009.

Standard pay band table If your whole time pay rate is:	You pay a contribution rate of:
Up to £12,600	5.5%
£12,601 to £14,700	5.8%
£14,701 to £18,900	5.9%
£18,901 to £31,500	6.5%
£31,501 to £42,000	6.8%
£42,001 to £78,700	7.2%
More than £78,700	7.5%

For example, someone who works full time at a pay rate of £16,000 would pay a contribution rate of 5.9%

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

If you work part time hours your contribution rate is based on the whole-time pay rate for your job, although you will only pay contributions on the pay you actually earn. For example, someone who works half-time with an actual pay of £10,000 a year will pay a contribution rate of 6.5% as their whole time pay rate is £20,000.

If you work term time weeks in a role that requires this type of work pattern (e.g. in a school) your contribution rate is based on the whole time pay rate for term time working, although you will only pay contributions on the pay you actually earn. For example, someone who works full time hours for 44 weeks a year, with an actual pay of £15,000 will pay 5.9%. If they were to work half time for 44 weeks with an actual pay of £7,500, then they would still pay 5.9% as their whole time rate for term time working would still be £15,000.

You pay contributions on 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, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

If you have no contractual hours of employment, contributions are deducted on all your pay up to the full time hours for your job.

You should check your payslip to make sure that pension contributions are being deducted.

Your contributions are very secure. As the LGPS is set up by Statute, payment of benefits to Scheme members is guaranteed by law.

What does my employer pay?

Your employer pays the balance of the cost of providing your benefits after taking into account investment returns. Every three years, an independent actuary calculates how much your employer should contribute to the Scheme. The amount will vary, but generally the present underlying assumption is that employees contribute approximately one third of the Scheme's costs and the employer contributes the remainder. However, increases or decreases in the cost of providing the Scheme may, in future, need to be shared between members and employers, in accordance with government guidance.

Do I receive tax relief on my contributions?

The LGPS is fully approved by HM Revenue and Customs, which means that you receive tax relief on your contributions. To achieve this, your contributions are deducted from your salary before you pay tax. So, for example, if you pay tax at the rate of 20%, every £1 that you contribute to the Scheme only costs you 80p net.

What about my National Insurance contributions?

As the LGPS is **contracted out** of the **State Second Pension (S2P)** you will, up to **State pension age**, pay reduced National Insurance contributions on your earnings between the **Lower Earnings Limit** and the **Upper Accruals Point**, unless you have opted to pay the married woman's/widow's reduced rate of National Insurance.

Am I protected if I had a right to pay 5% before 1st April 1998?

If you have continued working in a manual or craft job with a scheme employer since 31 March 1998 or earlier, and you were paying into the LGPS on 31 March 2008, you could have a protected contribution rate (as shown in the table below). But if you change to a job which isn't manual or craft, or leave your employer, you will pay the normal contribution rate from the standard pay band table based on your whole time pay rate (unless you rejoin the same employer in a manual or craft role within 1 month and 1 day).

Pension contribution rates

From:	You pay a contribution rate of:
1 April 2008	5.25%
1 April 2009	5.5 %
1 April 2010	6.5% or, if lower, the relevant rate from the standard pay band table
1 April 2011	The relevant rate from the standard pay band table

Can I make extra contributions to increase my benefits?

You can increase your benefits by paying additional contributions to buy extra LGPS pension, or by making payments to the scheme's Additional Voluntary Contributions (AVC) arrangement, or by paying contributions into a personal pension, stakeholder pension or free standing AVC scheme of your own choice. These options are explained in more detail in the leaflet on **Increasing your Benefits**.

Is there a limit to how much I can contribute?

At the present time there is no overall limit on the amount of contributions you can pay (although there is a limit on the extra LGPS pension you can buy and on the amount you can pay into the Scheme's AVC arrangement). However, tax relief will only be given on contributions up to 100% of your taxable earnings. Additionally, under HM Revenue and Customs rules there are controls on the pension savings you can have before you become subject to a tax charge - these will mainly affect some higher paid people. To find out about these controls, see the leaflet on **Tax Controls and your LGPS Benefits**.

I'm already paying into the LGPS in my other job – can I also join in this job?

If you are already paying into the LGPS and you get another job as well where your employer offers you membership of the Scheme, you can be a member of the LGPS in both positions, provided you are eligible to join (see the paragraph above on **Who can join?**). You will build up two separate sets of pension rights and receive two separate retirement packages.

If you leave one of the jobs before leaving the other, you will have the choice of joining the two sets of pension rights together. Details will be provided by Wiltshire Pension Fund at the time.

Pension rights built up as a councillor or mayor in England or Wales cannot be joined with rights built up as an employee in England or Wales and vice versa.

What about my other non LGPS pensions?

If you have paid into another non LGPS pension arrangement, you may be able to transfer your previous pension rights into the LGPS (provided you are not already drawing them as a pension). You only have 12 months from joining the LGPS to opt to transfer your previous pension rights, unless your employer allows you longer. This is an employer **discretion**; you can ask your employer what their policy is on this matter.

Wiltshire Pension Fund can advise you of their process for transferring previous pension rights into the LGPS. Transferring your pension rights is not always an easy decision to make, and you may wish to seek the help of an independent financial adviser. For more information, see the leaflet on **Transferring Pension Rights into the LGPS**.

What if I've been a member before and can now rejoin the LGPS?

If you rejoin the LGPS, you can normally transfer your previous LGPS pension rights to your new membership, enabling you to enjoy benefits based upon your entire membership and linked to your final pay in your new job.

They will not be transferred automatically. You only have 12 months from rejoining the LGPS to opt to transfer your previous LGPS pension rights, unless your employer allows you longer. This is an employer **discretion**; you can ask your employer what their policy is on this matter. But if you have previously rejoined the Scheme and chosen to keep earlier LGPS pension rights which you built up in England and Wales separate, you will not normally be able to transfer those earlier rights to your new job.

Transfers from the LGPS in Scotland or Northern Ireland may not buy day for day membership.

If your new job is less well paid, you will need to decide whether it may be better not to join the benefits together.

If you wish to transfer your previous LGPS pension rights you should contact Wiltshire Pension Fund as soon as possible to find out about this and about the matters you will need to consider in making your decision.

Pension rights built up as a councillor or mayor in England or Wales cannot be joined with rights built up as an employee in England or Wales and vice versa.

What if I change my mind – can I opt out of the LGPS?

If you join, then decide the LGPS is not for you, you're free to opt out from your next available pay period. You might, however, want to take independent financial advice before opting out.

If you opt out of the LGPS you will have the same options as anyone leaving their job before retirement except you cannot draw deferred benefits or, normally, transfer any pre 6 April 1988 benefits to another pension scheme unless you have left your job. You can find details of these options in the leaflet on **Leaving Your Job Before Retirement**.

I'm already receiving an LGPS pension – will it be affected if I join again?

If you are re-employed in **local government** or by an employer who offers membership of the LGPS, you must tell the LGPS fund that pays your pension about your new position, regardless of whether you join the scheme in your new position or not. If you are in receipt of an ill health pension which is of the type that is stopped if you are in gainful employment, your pension may be affected and you must inform the employer who awarded you that pension. In either case, a check will then be made to see whether the pension you are being paid should be reduced or stopped.

Forms to fill in:

Death benefit form

If you die in service, a lump sum death grant of three times your final year's pay is paid no matter how long you have been a member of the LGPS. For part time employees, it is three times your actual part time pay. Wiltshire Pension Fund has absolute **discretion** when deciding who to pay any death grant to. The LGPS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning a nomination form. The form is included in the Starter Pack issued by your employer, or you can download a copy from our website www.wiltshirepensionfund.org.uk

You can nominate a cohabiting partner, of either opposite or same sex, to receive a survivor's pension on your death, providing your relationship meets certain conditions laid down by the LGPS. You can find out about these conditions from the leaflet on **Life cover – protection for your family**. If this applies to you and you wish to make a nomination, the form is included in the Starter Pack issued by your employer, or you can download a copy from our website www.wiltshirepensionfund.org.uk

More information

For more information on the LGPS or if you have a problem or question about your LGPS membership or benefits, please contact:

Wiltshire Pension Fund
County Hall
Trowbridge
Wiltshire
BA14 8JN
01225 713613

pensionenquiries@wiltshire.gov.uk
www.wiltshirepensionfund.org.uk

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the leaflet **Help with Pension Problems**.

Some terms we use:

Admission Body

An admission body is an employer that chooses to participate in the Scheme under an admission agreement. These tend to be employers such as charities and contractors.

Civil Partnership

A Civil Partnership is a relationship between two people of the same sex (civil partners) which is formed when they register as civil partners of each other.

Contracted out

The LGPS was contracted out of the **State Earning Related Pension Scheme (SERPS)** and is contracted out of the **State Second Pension (S2P)**. This means that, prior to **State pension age**, you pay reduced National Insurance contributions between the **Lower & Upper Earnings Limit** (unless you have opted to pay the married woman's/widow's reduced rate of National Insurance). The LGPS guarantees to pay you a **Guaranteed Minimum Pension (GMP)** for being contracted out of the **State Earning Related Pension Scheme (SERPS)** and, for membership after 5 April 1997, the LGPS must meet a minimum Reference Scheme test prescribed under the Pensions Act 1995.

Designating Body

Designating bodies are bodies which can designate employees for access to the Scheme. Employees of Town and Parish Councils, voluntary schools, foundation schools, foundation special schools, Transport for London, and the Children and Family Court Advisory and Support Service, among others, can be designated for membership of the Scheme.

Discretion

This is the power given by the LGPS to enable your employer or Wiltshire Council, the administering authority of the Wiltshire Pension Fund, to choose how they will apply the Scheme in respect of certain provisions. Under the LGPS your employer or your administering authority are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review. You may ask your employer or your administering authority what their policy is in relation to a discretion.

Eligible children

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

- be under 18 and be wholly or mainly dependant 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.

Guaranteed Minimum Pension (GMP)

The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been **contracted out** of the **State Earning Related Pension Scheme (SERPS)** at any time between 6 April 1978 and 5 April 1997. This is called the Guaranteed Minimum Pension (GMP).

Local Government

The term Local Government in this leaflet also covers Police and Fire civilian staff, the Mayor of London and members of the London Assembly, the chairman of the London Transport Users' Committee, employees of a National Probation Service local board or Probation Trust, a registration officer, a coroner, a rent officer, employees of a valuation tribunal, employees of a passenger transport authority, employees of the Environment Agency, non-teaching employees of an Academy, an Education Action Forum or a Further or Higher Education Corporation.

Lower Earnings Limit

This is the amount of pay that you can receive before you pay any National Insurance contributions. The Lower Earnings Limit for 2009/2010 is £95 per week. It is usually increased annually by Parliament.

Nominated cohabiting partner

To be able to nominate a cohabiting partner, of either opposite or same sex, to receive a survivor's pension on your death, your relationship has to meet certain conditions laid down by the LGPS. Information on these conditions, and how to make a nomination, are set out in the leaflet on **Life Cover – Protection For Your Family**.

SERPS (State Earnings Related Pension Scheme)

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically **contracted out** of SERPS, and most paid lower national insurance contributions as a result. SERPS was replaced by the **State Second Pension (S2P)** from 6 April 2002.

State pension age

This is the earliest age you can receive the state basic pension and has traditionally been age 65 for men and 60 for women. From 2010 this will change for women as shown in the table below, so that by 2020 state pension age will have been equalised at age 65.

Date of Birth	State Pension Age
Before 6 th April 1950	60
6 th April 1950 – 5 th April 1951	Between 60 & 61
6 th April 1951 – 5 th April 1952	Between 61 & 62
6 th April 1952 – 5 th April 1953	Between 62 & 63
6 th April 1953 – 5 th April 1954	Between 63 & 64
6 th April 1954 – 5 th April 1955	Between 64 & 65
After 5 th April 1955	65

The State Pension age will be increased further from 65 to 68 between 2024 and 2046.

State Second Pension (S2P)

The State Second Pension (formerly SERPS) is the additional state pension, payable from state pension age by the Department for Work and Pensions (DWP), initially, S2P was an earnings related pension but from April 2009 it began building up as a flat rate pension, achieving full flat rate accrual by around 2030.

LGPS members are contracted out of S2P and most pay lower national insurance contributions as a result. More information on the State Second Pension (S2P) is available from the DWP Service.

Upper Earnings Limit

This is the amount of pay beyond which you cease to pay the full contracted out rate of national insurance contributions. The Upper Earnings Limit for 2010/2011 is £884 per week or £3,831 per month. It is usually increased annually by Parliament. On earnings above the Upper Earnings Limit you only pay a 1% national insurance contribution.

Wiltshire Council is the administering authority for Wiltshire Pension Fund.