

Opting out of the LGPS – Notice to opt out of pension saving

The Local Government Pension Scheme (LGPS) allows you to save while you are working in order to enjoy a pension once you retire. It is one of the best pension schemes in the UK. An important feature of the LGPS is that your employer meets a large part of providing the excellent range of secure benefits. The LGPS is extremely valuable and an important part of your employment package.

You might be thinking of opting out of the LGPS for a variety of reasons. Whatever the reason, it is worth taking some time to look at the benefits you would be giving up. You may also want to take independent financial advice before making the final decision to opt out.

Benefits of the scheme

- A **secure pension** that is payable for life and increases with the cost of living.
- Option to exchange part of your pension for some **tax-free cash** at retirement.
- Generous life cover – a lump sum of **3 times** your pay if you die while paying into the LGPS.
- Cover for your family if you die including a **survivor's pension** for your spouse, civil partner or an eligible partner who you live with, as well as eligible children's pensions.
- Your employer also contributes on your behalf (as much as **2 to 3 times** the amount you pay)

And, once you have been paying into the LGPS for two years:

- We will normally pay you your pension at age 65, or your **State Pension Age** if this is later at 66, 67 or 68.
- You can voluntarily retire and receive your pension from **age 55**. If you choose to take your pension before it is normally paid then we will normally reduce your pension to reflect that we will be paying it to you for longer.
- Automatic early release of your pension from age 55 if your employer makes you **redundant** or terminates your employment because of efficiency of the service.
- Option to take **flexible retirement** from age 55 (with your employer's consent).
- If you are too ill to do your job, then Ill health retirement benefits may be payable from **any age**. These could also be enhanced.
- You can pay more to **increase your benefits**.
- There is no hidden administration charge.
- Benefits are **guaranteed by law** and are not dependent on investment returns.

Other things to consider if you opt out

- If you have more than 2 years LGPS membership or have transferred in previous pension rights, then you may not be able to receive a refund of your contributions.
- If you opt out of the LGPS, your ‘take home’ pay may not increase by the full amount of your pension contributions. This is because you receive tax relief on your contributions.
- You can choose to join the 50/50 section of the LGPS. You can pay half of the normal contributions to build up half of the normal pension. Ill health and death cover will remain in full. You can find more information about the 50/50 section and our 50-50 section election form on our [website](#).

If you opt out with **less than 3 months membership**, you will be entitled to a refund of your contributions.

If you opt out with **more than 3 months but less than 2 years membership**, you will normally be able to receive a refund of your contributions if:

- You haven’t transferred in any previous pension rights that means that you’ve got more than 2 years membership;
- You haven’t transferred in any previous pension rights from a scheme that wouldn’t allow a refund;
- You haven’t transferred any LGPS benefits in England or Wales to a Qualifying Recognised Overseas Pension Scheme (QROPS);
- You haven’t got any other benefits in the LGPS in England or Wales;
- You don’t start paying into the LGPS before you receive your refund; or,
- You have already reached your State Pension Age and have been paying National Insurance while paying into the LGPS.

There will be deductions made for tax and National Insurance (NI) if you receive a refund of your contributions.

If you opt out with **2 years membership or more** (or have transferred in service), you will be awarded deferred pension benefits and the following will apply:

- Your benefits will be based on the pension built up in your pension account and will be on hold.
- We will add **cost of living increases** each year so it keeps its value. It will normally be paid to you at age 65 or your State Pension Age if this is later at 66, 67 or 68 unless you choose to transfer your benefits to another pension scheme.

- You can choose to draw your pension from age 55 if you have left the post that you were paying into the LGPS. We are likely to reduce part of it to reflect that we will be paying it to you for longer.
- If you die then the value of the death grant will be 5 times worth your yearly pension (instead of 3 times your actual pay if you were paying into the LGPS).
- There will be no enhancement to any pensions paid to your spouse, civil partner, partner or children if you die.
- You will lose the future employer contributions (your employer may not be allowed to contribute to another scheme instead of the LGPS).
- If you are made redundant or retired on efficiency of service, your benefits will not be available until you are age 55, and reductions to early payment are likely to apply.
- If you are too ill to do your job then your pension will not be enhanced if it is paid early.
- If you re-join the scheme it will not be possible to pay back contributions for any period of opting out. You will be able to buy extra pension but this is more expensive.
- If you re-join the scheme you can't join your periods of membership together.

FAQS

When can I choose to opt out of the LGPS?

You can opt out at any time. You will need to complete the 'Opt Out' form which can be found at the end of this document. On the form you will be asked to state the date that you wish to opt out of the scheme (opt out date). If this date is earlier than the date the form is received by your employer, or, if you don't state a date you will be brought out of the scheme at the end of the payment period during which the notice is given.

If you don't enter a valid opt out date, your employer will stop your contributions at the end of the payment period during when they receive your opt out form. If this causes your membership to be 2 years or more **you won't be entitled to a refund** and will be awarded with deferred benefits.

I have more than one job that I am paying into the LGPS. If I opt out, do I have to opt out of all jobs?

No, you can choose to opt out of one post but remain paying into the LGPS in your other jobs. However, if you do not state which jobs you want to opt out of, your employer will assume that you want to opt out in all jobs.

Can I pay less in contributions?

Yes, you can move to the 50/50 section of the scheme. You can pay half the contributions to receive half the pension benefits but the ill-health and death in service cover is the same as in the main section of the scheme.

I've opted out before I've been paying into the LGPS for 2 years. Will I have my contributions refunded?

You will normally be able to choose to receive a refund of your contributions. However, if you have transferred in rights and that means that you have built 2 years membership or more at your date of opting out, you will not be able to receive a refund of your contributions.

You also will not be able to receive a refund if you have any benefits in the LGPS in England or Wales, start paying into the scheme again before we have paid you a refund or you have paid into the LGPS and you have reached your State Pension Age. We also cannot pay you a refund if you have transferred rights in from a scheme that did not allow refunds or you have previously transferred from the LGPS in England or Wales to a Qualifying Recognised Overseas Pension Scheme (QROPS). Instead you will be awarded with deferred benefits.

Who pays my refund?

If you opt out within 3 months of joining the LGPS your employer will refund your pension contributions and will make adjustments for tax and NI. You won't receive back the full amount if you've paid tax and NI. If you opt out after 3 months but before 2 years and are able to receive a refund, we'll refund your contributions with an adjustment for tax and another to reinstate you into the State Second Pension.

Members who pay into the LGPS up to 6 April 2016 are contracted-out of the Second State Pension (S2P) and pay a reduced rate of NI. When Wiltshire Pension Fund pays a refund of contributions, we must also pay an amount to HMRC to reinstate your benefits in the State Second Scheme. The deduction from the refund is your share of this payment.

How much higher will my "take home" pay be if I opt out?

If you don't pay tax or NI, opting out will mean that your "take home" pay will increase by the same amount as your pension contributions.

If you pay tax then you receive tax relief on your pension contributions and may pay a lower rate of NI contributions up to 5 April 2016. Opting out will mean that you won't receive tax relief so you'll pay more tax.

I have over 2 years membership. Can I have my contributions refunded?

No, you'll be awarded deferred benefits. When we've calculated the amount of pension that you've built up in the Scheme we'll send you a statement. You can choose to leave the deferred pension in the Scheme until your 75th birthday. Provided you've left the post you were in when you paid into the LGPS you can claim your pension from age 55. We'll reduce part of your pension to reflect that we'll be paying it to you for longer. You may also be able to transfer your pension rights to another provider.

What happens if I die whilst my benefits are deferred?

If you die while your benefits are on hold, there'll be a lump sum death grant payable to your estate of five times the current value of your deferred pension. There may also be a pension payable to your spouse/civil partner/partner that you're living with and/or children but these will **not include an enhancement**.

You can make an expression of wish to let us know who you'd like to leave any death grant to. You can find this form on our website.

If I'm over age 55 years and made redundant, do I get an immediate unreduced pension?

Not if your benefits are on hold. This only applies if you're paying into the LGPS at that time. You can choose to take payment of your deferred pension from age 55 if you've left the post that you were paying into the LGPS, but your pension will be reduced to reflect that we'll be paying it to you for longer.

Can I re-join the LGPS at a later date?

Yes - as long as you're employed in a job with an employer that participates in the scheme, you're not eligible to be a member of another Public Service Pension Scheme and you're not aged 75 or over. You'd need to complete an opt-in form and return this to your employer, who'd then action this from the start of the next pay period. There's no limit to the number of times you can opt in and out of the LGPS.

If you re-join the LGPS at a later date and you've been awarded with deferred benefits after opting out then you won't be able to join your memberships together.

Opt Out Declaration Form

PLEASE RETURN THE DECLARATION FORM AND OPT OUT FORM TO YOUR
EMPLOYER'S PAYROLL AND HR SECTION

What you need to know

- Your employer cannot ask you or force you to opt out of the scheme.
- If you are asked or forced to opt out you can tell The Pensions Regulator – see www.thepensionsregulator.gov.uk
- If you change your mind you may be able to opt back in by completing the relevant opt in form available in the [forms](#) section of our website.
- If you stay opted out, your employer will normally put you back into pension saving in around 3 years.
- If you change your job, your new employer will normally put you back into pension saving straight away.
- If you have another job, your other employer might also put you into pension saving, now or in the future.

This notice only allows you to opt out of the pension saving with the employer you name below. A separate notice must be filled out and given to any other employer you work for, if you wish to opt out of that employers' pension saving as well filled out and given to any other employer you work for, if you to opt of that employers' pension saving as well.

Declaration

I wish to opt out of the LGPS in the post(s) I have indicated below with effect from

* [The date entered can be in the future but cannot be before the date you sign this form or the date you start in the post(s) indicated below].

If I have more than one post and I don't state which posts I want to opt out of, I understand my employer will assume that I want to opt out of all my post.

I have read the accompanying notes and understand that I'm giving up the opportunity to save for a guaranteed package of benefits which are backed by law. These include a secure pension payable for life, life cover and cover for my family upon my death.

I understand that if I opt out I will no longer have the right to pension contributions from my employer.

I understand that if I opt out I may have a lower income when I retire.

Opt-Out Form

PLEASE RETURN THE DECLARATION FORM AND OPT OUT FORM TO YOUR
EMPLOYER'S PAYROLL AND HR SECTION

THIS FORM MUST NOT BE COMPLETED BEFORE YOU START YOUR EMPLOYMENT

Your Personal Details:

Surname*	
First Name(s)*	
Title*	Mr / Mrs / Miss / Ms / Other (Please specify)
National Insurance No.*	
Date of Birth DD/MM/YYYY*	
Address*	
Postcode*	
Your Employer's Name*	

Your Employment Details:

Job Post 1	Job Title:
	Pay Reference:
Job Post 2	Job Title:
	Pay Reference:
Job Post 3	Job Title:
	Pay Reference:

Signature*	
Date DD/MM/YYYY*	

This form will be used to end your active membership of the LGPS as per your instructions. It will be held by your employer and Wiltshire Pension Fund as a record of your decision to opt out of the LGPS

*Mandatory entries

EMPLOYER TO COMPLETE AND FORWARD THE BELOW

For Employer Payroll use only: Tick one of the following

The member has opted out with less than 3 months membership and I have refunded their contributions via payroll or we didn't deduct any contributions.	<input type="checkbox"/>
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The member has opted out with more than 3 months membership, I haven't refunded any contributions and I'll complete a leaver or retirement form or spreadsheet and send to the Fund	<input type="checkbox"/>
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Employer's Name*	
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Payroll/HR Officer Name*	
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Officer Email*	
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Officer Telephone No.*	
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Signature*	
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Date*	
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*Mandatory entries

PLEASE FORWARD A COPY OF THE DECLARATION FORM AND OPT OUT FORM TO THE WILTSHIRE PENSION FUND

pensionforms@wiltshire.gov.uk