



SOUTH YORKSHIRE  
PENSIONS AUTHORITY



a guide to the...

# Local Government Pension Scheme



lgps

[www.sypensions.org.uk](http://www.sypensions.org.uk)  
Regulated by the Financial Services Authority (FSA)

The information in this booklet is based on the Local Government Pension Scheme Regulations 2007 (effective from 1st April 2008) and other relevant legislation. It applies to members joining the Local Government Pension Scheme after 1st April 2008. This booklet was up-to-date at the time of publication in April 2008. It is for general use and cannot cover every personal circumstance nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this booklet does not confer any contractual or statutory rights and is provided for information purposes only.

*These notes give general guidance only and cannot be treated as a statement of law. The information in this booklet is based on the understanding, at the date of publication, of current pensions and taxation legislation and of Inland Revenue practice, all of which can change.*

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# 1

## The Local Government Pension Scheme (LGPS)

### The Scheme

This is a short description of the conditions of membership and main scheme benefits that apply under the LGPS.

### What kind of scheme is it?

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. 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.

### Who can join?

The LGPS is available to all employees in Local Government, or in 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 3 months and be under age 75.

If you are employed by a designating body, such as a Town or Parish Council, or an admitted body<sup>1</sup>, you can only join if your employer nominates you for membership of the Scheme. 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<sup>1</sup> 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?

On receipt of a form from your employer, relevant records will be set up and an official notification of your membership of the LGPS will be sent to you. In addition, you should also check your pay slip to ensure that pension contributions are being deducted.

<sup>1</sup> An admitted 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.

## Can I opt-out of the LGPS and re-join 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, provided that at the time you choose to opt back in 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.

## 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.

Below are the pay bands that apply from April 2008.

If your Whole Time pay rate is:	You pay a contribution rate of:
Up to £12,000	5.5%
More than £12,000 and up to £14,000	5.8%
More than £14,000 and up to £18,000	5.9%
More than £18,000 and up to £30,000	6.5%
More than £30,000 and up to £40,000	6.8%
More than £40,000 and up to £75,000	7.2%
More than £75,000	7.5%

The pay band ranges will 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<sup>2</sup>.

## Can I pay more to increase my benefits?

You can make additional payments to increase your retirement benefits. You can do this, either by paying additional contributions to buy extra LGPS pension, by making payments to the scheme's Additional Voluntary Contributions (AVC) arrangement, or by making payments to a personal pension, stakeholder pension or Free-standing AVC scheme of your own choice.

## 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 your pensions rights into the LGPS must be made within twelve months of joining or such longer period as your employer allows.

<sup>2</sup> 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.

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.

## 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 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 1st April 2008, your standard benefit package will include an automatic tax-free lump sum as described in the Retirement Benefits section on page 9.

## 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 (or from age 50 if you joined the LGPS before 1st April 2008 and retire and elect to receive your benefits before 1st April 2010), 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 in the **Retirement Benefits** section, will be reduced to take account of their early payment and the fact that your pension will be payable for longer. However, if you joined the LGPS before 1st October 2006 you may have some protection from this reduction in respect of benefits built up in the Scheme up to 31st March 2008 (or up to 31st March 2020 if you will be 60 by then) provided your combined age and scheme membership, both in whole years, would be 85 or more.

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

If you are aged 55 or over (or 50 or over if you joined the LGPS before 1st April 2008 and retire on grounds of redundancy before 1st April 2010), 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 (or from age 50 if you joined the LGPS before 1st April 2008 and you take flexible retirement before 1st April 2010), 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.

## 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 on page 11 show how benefits based on membership in the LGPS built up at any time after 31st March 2008 are calculated. For membership you build up after 31st 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<sup>3</sup>, for each £1 annual pension given up you will receive £12 lump sum.

<sup>3</sup> Providing the total lump sum does not exceed £412,500 (2008/09 figure) less the value of any other pension rights you have in payment.

## Example of pension and lump sum option calculation for membership after 31st March

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:  
 $20 \times 1/60 \times £15,000 = \mathbf{£5,000}$

If they decide to give up £1,000 pension for a cash lump sum, then:

Their **reduced annual pension** is:  
 $£5,000 \text{ less } £1,000 = \mathbf{£4,000}$

And they will get a tax free lump sum of:  $£1,000 \times 12 = \mathbf{£12,000}$

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

Their **annual pension** would be:  
 $10 \text{ years} \times 1/60 \times £15,000 = \mathbf{£2,500}$

If they decide to give up £500 pension for a cash lump sum, then:

Their **reduced annual pension** is:  
 $£2,500 \text{ less } £500 = \mathbf{£2,000}$

And they would get a tax free lump sum of:  $£500 \times 12 = \mathbf{£6,000}$

## If you joined the LGPS before 1st April 2008

Your benefits for membership before 1st April 2008 are calculated differently. For LGPS membership you have built up to 31st 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 1st 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 on page 9.

## 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)<sup>3</sup>.

## 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 3 consecutive years in the last 10 years (ending on a 31st 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 Retail Prices Index. 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 the Retail Prices Index regardless of age.

## 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 widow's, widower's, civil partner's or, subject to the certain qualifying conditions, a nominated co-habiting 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, widower's pensions could be, and civil partner's and nominated co-habiting partner's pensions will be, less than this if you have membership in the scheme before 6th April 1988.
- Pensions for eligible children
- A lump sum death grant of 3 years pay

If you die after retiring on pension, a widow's, widower's, civil partner's or, subject to the certain qualifying conditions, a nominated co-habiting partner's pension and pensions for eligible children are payable. A widow's pension is equal to 1/160th of your final pay times 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 times the total membership your pension is based on (but could be less if you have membership in the scheme before 6th April 1988). 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 5th April 1988. A death grant is payable if less than 10 years pension has been paid and you are under age 75 at the date of death, in which case the balance of 10 years of pension is paid as a lump sum.

To nominate a co-habiting 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 25 from SYPA.

The LGPS also allows you to say who you would like any death grant to be paid to by completing a form 15 available from SYPA. The Scheme's administering authority, however, retains absolute discretion when deciding who to pay any death grant to.

You can find out how to contact SYPA at the end of this guide.

## Refund 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).

## Preserved 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 preserved benefits within the LGPS. Your preserved LGPS benefits will be calculated as described in the Retirement Benefits section using the length of your total membership up to the date that you left the Scheme.

Unless you decide to transfer your preserved 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 preserved benefits early from age 60 onwards. You may be able to elect to receive your preserved benefits from age 55 (or from age 50 if you joined the LGPS before 1st April 2008 and make your election before 31st March 2010), 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.

## Transferring your benefits

If you leave the Scheme at least one year before age 65 and you are entitled to preserved benefits 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.

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.

## 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 SYPA at the address shown on page 19. They 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 person nominated by the employer 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 disputing. The nominated person will consider your dispute 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 to have it reconsidered.

A leaflet explaining the Internal Disputes Resolution Procedure in detail is available on request from SYPA.

## 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.  
Telephone 0845 601 2923**

## Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved after the intervention of TPAS, 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.  
Telephone 0207 834 9144**

## 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.  
Telephone 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.

Telephone 0845 6002 537

**Also, don't forget to keep your pension providers up to date with any change in your home address.**

## 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 (£1.65 million in 2008/09) or whose pension benefits increase in any tax year by more than the Annual Allowance (£235,000 in 2008/09), 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. 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.

More detailed information about the scheme is available from:

South Yorkshire Pensions Authority,  
18 Regent Street, Barnsley,  
S70 2HG.

Telephone: 01226 772923. Fax: 01226 772938

E-mail: [admin@sypa.org.uk](mailto:admin@sypa.org.uk)

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

## How can I get more information?

If you need any further help or advice with anything contained in this booklet, get in touch with SYPA Headquarters or one of the District Offices.

The Headquarters and District Offices are open for personal visits 9.00am to 5.00pm Monday to Thursday and 9.00am to 4.30pm on Fridays. Personal visits outside these times are possible with prior arrangement with Headquarters' staff or the District Pensions Manager concerned.

### SYPA Headquarters

- 18 Regent Street, Barnsley. S70 2HG Telephone: 01226 772923

### District Offices

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• <b>Barnsley</b><br/>Beevor Court 1, Pontefract Road,<br/>Barnsley. S71 1HG<br/>Telephone: 01226 773161</li></ul> | <ul style="list-style-type: none"><li>• <b>Rotherham</b><br/>Norfolk House, Walker Place,<br/>Rotherham. S65 1ES<br/>Telephone: 01709 823740</li></ul>  |
| <ul style="list-style-type: none"><li>• <b>Doncaster</b><br/>Council House, College Road,<br/>Doncaster. DN1 3AJ<br/>Telephone: 01302 737926</li></ul>   | <ul style="list-style-type: none"><li>• <b>Sheffield</b><br/>Howden House, 1 Union Street,<br/>Sheffield. S1 2SH<br/>Telephone: 0114 273 5133</li></ul> |

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## Pensions Password Service (PPS)

For data security reasons, SYPA cannot discuss your personal information on the telephone or change your personal details on our records without your written authority.

The PPS allows members, who have registered for it, to call SYPA or visit the website to request personal information, change their address or bank account details, if they are receiving benefits, without having to put the requests in writing. To register you should request a Form 20 from SYPA.

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## Mypension

Mypension is an interactive service which allows our members (after registration and through a secure login) to:

- Access and update their personal details on line.
- Produce estimates of their entitlement in various scenarios.
- Make elections and request information.

**To register, visit our website at [www.sypensions.org.uk](http://www.sypensions.org.uk).**  
and click on the [mypension](#) icon on the home page.

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## Employer Discretions

The Local Government Pension Scheme requires employers who participate in the Scheme to formulate and issue statements on their policies in relation to various aspects of the scheme. For further details of your employer's discretions, please contact them direct.

Issued by:

**South Yorkshire Pensions Authority**

18 Regent Street

Barnsley

S70 2HG

**Telephone:** 01226 772923

**Fax:** 01226 772938

**E-mail:** [admin@sypa.org.uk](mailto:admin@sypa.org.uk)

**Web:** [www.sypensions.org.uk](http://www.sypensions.org.uk)