

**Bath & North East
Somerset Council**



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Employers Guide to the LGPS

Opting Out

5 - OPTING-OUT

5.1 Action to be taken when an existing employee wishes to opt out of the LGPS:

If an employee decides to opt out of the LGPS he/she must complete **Form LGPS 4**.

A. the option is made within 3 months of joining the LGPS

- a) If the employee opts out within 3 months of joining the LGPS, the employer must cease deduction of pension contributions from the commencement of the next pay period or the date of opting-out specified by the employee. Contracted-in National Insurance contributions should then commence;

The pension contributions paid by both the employee and the employer must be refunded through the employer's payroll and the employee's National Insurance contributions and tax adjusted accordingly. It will be necessary to liaise with HM Revenue & Customs where a National Insurance adjustment stretches into two tax years;

- b) The employer **must** notify the Pensions Section using **Form LGPS 15** that the employee has opted out of the LGPS and has had a refund of contributions made to him/her through the payroll. A copy of the employee's option to cease membership of the LGPS (**Form LGPS 4**) should be attached to **Form LGPS 15** when it is sent to the Pensions Section;

B. the option is made 3 months or more after joining the LGPS

- a) If the employee opts out 3 months or more after joining the LGPS no refund is due and the employer must cease deduction of pension contributions from:
 - (i) the start of the new pay period, or
 - (ii) a later date that the employee may specify.
- b) The employer must then notify the Pensions Section that the employee has opted out of the LGPS using **Form LGPS 15** to which should be attached the employee's option to cease membership of the LGPS (**Form LGPS 4**).

It is important that employers retain a copy of the employee's option to cease Membership of the LGPS (**Form LGPS 4**) until the employee's 75th birthday as documentary evidence against the employee who several months or even years later claims he/she did not opt out of the LGPS. If the Scheme Employer ceases to exist before the employee's 75th birthday a copy of Form LGPS 4 must be forwarded to Avon Pension Fund.

If an employee (who opted out of the LGPS and was awarded deferred benefits):

- a) **dies in service, or**
- b) **is dismissed on the grounds of permanent ill health, or**
- c) **is dismissed due to redundancy / efficiency and is over the age of fifty-five***

please contact the Pensions Section for advice.

***Note: In the case of an employee who was a member of the LGPS on 31 March 2008 and is dismissed as in c) above before 31 March 2010 the age of 55 is substituted by the age of 50.**