

Avon Pension Fund

Local Government Pension Scheme

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Opting Out of the LGPS

LGPS 04

Membership of the Local Government Pension Scheme (LGPS) is automatic for the majority of members, but it is not compulsory that you remain in the Scheme. You can choose to opt out of the LGPS at any time.

However, before taking this important decision you should consider the benefits that you will be **giving up**. The LGPS is one of the best occupational pension schemes available in England and Wales and offers its members a wide variety of benefits. You may wish to discuss this with an independent financial advisor, your trade union (if a member) and/or the Avon Pension Fund.

LGPS Benefits

- guaranteed index linked pension at retirement based on your career average earnings
- option to convert some pension to tax free cash on retirement
- generous death in service cover – a death grant of **3 times** your pay
- pensions for eligible dependents on your death, based on your career average earnings **enhanced to NPA (Normal Pension Age)**
- your employer also contributes on your behalf (as much as **2 or 3 times** the amount you pay)
- automatic early release of benefits from age 55 if you are retired on the grounds of redundancy or efficiency of the service
- option to take flexible retirement from age 55 (with your employers consent)
- ill-health retirement benefits payable from any age
- you can pay more to increase your benefits
- Scheme contributions attract tax relief
- There are no administration charges
- benefits are guaranteed in law and not dependent on investments

Other things to consider if you opt out

If you opt out with **less than 2 years membership**, have not transferred in service, and have no other LGPS benefits you will receive a refund of contributions less deductions of tax and, if applicable, National Insurance contributions. You will forgo all of the benefits of being a member of the LGPS.

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
- death grant will be 5 times annual pension (instead of 3 times actual pay for active Scheme members)
- dependents pensions will be based on accrued pension only (no enhancement to NPA)
- 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/retired on efficiency of the service your benefits will not be available until you are age 55, and reductions for early payment may apply
- if you rejoin the Scheme it will not be possible to pay back contributions for any period of opting out. You will be able to buy additional pension (APC's) but this is more expensive
- you will not be able to take your benefits on the date they are available for payment if you are still employed in the post you opted out of.

This section answers some of the questions you might have about opting out.

When can I elect to leave the LGPS?

You can opt out at any time. 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 do not state a date you will cease to be a member at the end of the payment period during which the notice is given.

Please note: If you do not enter a valid opt out date, your employer will cease your membership at the end of the payment period during which the notice is given and if this causes your membership to exceed 2 years **you will not be entitled to a refund** and will be awarded deferred benefits.

Can I pay less contributions?

Yes. You can move to the 50/50 section of the LGPS. You would pay half contributions to receive half the pension, with the benefit that the ill-health and death in service cover is the same as the main scheme.

I have less than 2 years membership. Will I have my contributions refunded?

Yes. However, if you have been credited with a pension service credit following a transfer of pension rights as at your date of opting-out, you will be unable to receive a refund of contributions. Instead you will be awarded deferred benefits.

Who pays my refund?

If you opt out within 3 months of entering the LGPS your employer will refund your pension contributions and, if applicable, will make adjustments for National Insurance and tax. Therefore you may not receive back the full amount you have paid in. If you opt out after 3 months but before 2 years the pension fund will refund your contributions with an adjustment for tax and, if applicable, National Insurance to reinstate you into the Second State Pension.

Up until 5 April 2016, members of the LGPS were contracted-out of the Second State Pension (S2P) and paid a reduced rate of National Insurance. When the Avon Pension Fund pays a refund of contributions, if you paid pension contributions before 6 April 2016 we must also pay what is known as a Contributions Equivalent Premium (CEP) to HMRC, to reinstate your benefits in the State Scheme. In this case there will be a deduction from the refund for your share of this CEP payment.

From 6 April 2016 members of the LGPS are no longer contracted-out of S2P and do not pay a reduced rate of National Insurance. There will be no CEP payment due for a refund of pension contributions which were paid after 5 April 2016.

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

If you do not pay tax, opting out will mean that your “take home” pay will increase by the same amount as your pension contribution. Otherwise, as you receive tax relief on your pension contributions, opting out will mean that although your “take home” pay will be higher, the increase will be less than the pension contribution amount shown on your payslip.

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

No. You will be entitled to deferred benefits. When we have calculated the amount of pension that you have built up in the Scheme we will send you a statement. You can choose to leave the deferred pension in the Scheme until normal pension age (NPA) or the date you leave employment if later. Provided you have left your post you can claim your pension early from age 55, although a reduction will apply. You may also elect to transfer your pension rights to another provider before your NPA.

Will I receive an annual benefit statement?

If you have deferred benefits in the Scheme then you will receive a benefit statement each year showing the current value of your LGPS pension. This will include any pension increases awarded.

What happens if I die whilst still in Local Government employment?

If you have deferred benefits in the Scheme, there will be a lump sum death grant payable to your estate of five times your preserved pension (**the death grant of three year's salary will not apply**). There may also be a pension payable to your spouse/civil partner/cohabiting partner and/or children but these will be based upon your deferred pension and will **not include an enhancement** to your NPA.

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

No. This would only apply if you were paying into the Scheme (an active member). You can elect to take payment of your deferred pension at age 55 or later, but your pension will be reduced if paid before your NPA.

Can I rejoin the pension scheme at a later date?

Yes. You would need to complete an opt-in form and return this to your employer, who should then action this from the start of the next pay period. There is no limit to the number of times you can opt in and out of the Scheme.

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

If you rejoin the LGPS and you have deferred benefits in an LGPS fund in England or Wales (which you were awarded other than as a result of electing, on or after 11 April 2015, to opt out of membership of the scheme) your deferred benefits will normally be automatically joined with your new active pension account. If you want to retain separate deferred benefits then you must make such an election within 12 months of re-joining the scheme (or such longer period as your employer may allow).

If you have deferred benefits in an LGPS fund in England or Wales which you were awarded as a result of electing, on or after 11 April 2015, to opt out of membership of the scheme, you cannot join those benefits with your new active pension account. They will remain as a separate deferred benefit.

If you rejoin the LGPS in England and Wales and have a deferred refund this must be joined with your new active pension account.

What do I do to opt out of the LGPS?

Complete the application form over the page, and return it to your Employer's Payroll Section or Provider who will make all the necessary arrangements.

Data Protection: Avon Pension Fund is a Data Controller under the General Data Protection Regulations. We store, hold and manage your personal data in line with statutory requirements to provide you with pension administration services. For more information about how we hold your data, who we share it with and what rights you have to request information from the Fund, visit www.avonpensionfund.org.uk/privacy-notice

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Opt out form - Notice to opt out of pension saving

LGPS 04

COMPLETE THIS FORM IF YOU WANT TO OPT OUT OF THE SCHEME. THEN SEND IT TO YOUR EMPLOYER'S PAYROLL SECTION NOT THE AVON PENSION FUND

Membership of the Local Government Pension Scheme LGPS is not compulsory. An employee can elect to "opt-out" at any time. If you are considering this option it is important that you fully understand the implications of your decision. Please read the information accompanying this form.

1. What you need to know

- Your employer cannot ask you or force you to opt out.
- 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 - write to your employer if you want to do this.
- If you stay opted out your employer will normally put you back into pension saving in around 3 years.
- If you change 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 opts you out of pension saving with the employer/post number 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 pension saving as well.
- If you are entitled to deferred benefits in respect of the post below, you will not be able to take your benefits on the date they are available for payment until you leave your post.

2. Reason for opting out

It would help us if you could give your reason(s) for opting out: *(Please tick relevant box)*

Age Related Cost Alternative Pension Provision Other

(Please specify) _____

Please turn over to complete this form

LGPS04-20181112

3. Declaration

- I wish to opt out of the LGPS with effect from
- I have read the accompanying notes and understand the benefits I will be giving up.
- I understand that if I opt out I will lose the right to pension contributions from my employer.
- I understand that if I opt out I may have a lower income when I retire.

**THIS FORM MUST NOT BE COMPLETED BEFORE YOU START YOUR EMPLOYMENT
WHEN COMPLETED SEND THIS FORM TO YOUR EMPLOYER'S PAYROLL SECTION
NOT THE AVON PENSION FUND**

SIGNATURE: DATE:
SURNAME: FORENAME(S):
NI NUMBER: EMPLOYER:
PAYROLL REF: POST NUMBER:

ADDRESS:
.....

For Employer Payroll use only:

Membership less than 3 months (LGPS 15 not required for above)	Contributions refunded via payroll or no contributions deducted	<input type="checkbox"/>
Membership more than 3 months	Contributions to be refunded by fund	<input type="checkbox"/>

Authorised by : Print Name:
Authorised contact email:
Employer name:
Payroll provider: