

# Avon Pension Fund

## Local Government Pension Scheme

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## About the Local Government Pension Scheme (LGPS)

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In this section we look at:

- [Your pensions choice](#),
- [Who can join the Local Government Pension Scheme \(LGPS\)](#), and
- [The cost of being a member of the LGPS](#).

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined at: [www.avonpensionfund.org.uk/glossary](http://www.avonpensionfund.org.uk/glossary)

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

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

### Your pension's choice

- **Local Government Pension Scheme**
- **Personal Pension Plans and Stakeholder Pension Schemes**

### Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a statutory, funded pension scheme. As such it is very secure because its benefits are defined and set out in law.

Key features of the LGPS include:

#### **A secure pension –**

worked out every ***scheme year*** and added to your ***pension account***. The pension added to your account at the end of a ***scheme year*** is, if you are in the main section of the scheme, an amount equal to a 49<sup>th</sup> of your ***pensionable pay*** in that year. At the end of every ***scheme year*** the total amount of pension in your account is adjusted to take into account the cost of living (as currently measured by the ***Consumer Prices Index (CPI)***).

#### **Flexibility to pay more or less contributions –**

you can boost your pension by paying more contributions, which you would get tax relief on. You also have the option in the LGPS to pay half your normal contributions in return for half your normal pension. This is known as the 50/50 section of the scheme and is designed to help members stay in the scheme when times are financially tough.

#### **Tax-free cash –**

you have the option when you draw your pension to exchange part of it for some tax-free cash.

### **Peace of mind –**

your family enjoys financial security, with immediate life cover and a pension for your spouse, **civil partner** or **eligible cohabiting partner** and **eligible children** in the event of your death in service or if you die after leaving having met the 2 years **vesting period**. If you ever become seriously ill and you've met the 2 years **vesting period**, you could receive immediate ill health benefits.

### **Freedom to choose when to take your pension –**

you do not need to have reached your **Normal Pension Age** in order to take your pension as, once you've met the 2 years **vesting period**, you can choose to retire and take your pension at any time between age 55 and 75. Your **Normal Pension Age** is simply the age you can retire and take the pension you've built up in full. However, if you choose to take your pension before your **Normal Pension Age** it will normally be reduced, as it's being paid earlier. If you take it later than your **Normal Pension Age** it's increased because it's being paid later.

### **Redundancy or efficiency Retirement –**

if you are made redundant or retired in the interests of business efficiency at or after age 55 you will, provided you've met the 2 years **vesting period**, receive immediate payment of the main benefits you've built up (but there would be a reduction for early payment of any additional pension you have chosen to buy).

### **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, and you've met the 2 years **vesting period**, draw some or all of the benefits you have already built up, helping you ease into retirement, although your benefits may be reduced for early payment.

### **Tax Relief and lower National Insurance Contributions –**

as a member of the LGPS, if you earn enough to pay tax, your contributions will attract tax relief at the time they are deducted from your pay.

## **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. When you retire, the investments are cashed in and the sum of money realised is used to buy retirement benefits from the insurance market and from April 2015 these benefits can also be taken as cash (subject to tax as appropriate). 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.

## **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.

To be able to join the LGPS you need to 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.

Police officers, operational firefighters and, in general, teachers and employees eligible to join another statutory pension scheme (such as the NHS Pension Scheme) are not allowed to join the LGPS.

If you start a job in which you are eligible for membership of the LGPS you will be brought into the scheme if your contract of employment is for 3 months or more. If it is for less than 3 months and you are, or during that period become, an **Eligible Jobholder** you will be brought into the scheme from the **automatic enrolment date** (unless your employer issues you with a postponement notice to delay bringing you into the scheme for up to a maximum of 3 months) or, if your contract is extended to be for 3 months or more, or you opt to join by completing an application form, you will be brought into the scheme from the beginning of the pay period after the one in which your contract is extended or you opt to join.

If you are brought into the scheme you have the right to opt out. You cannot complete an opt out form until you have started your employment.

### **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, continue to make your own contributions to the personal pension or stakeholder pension scheme or you can stop paying into it and provided your Pension Fund administrator agrees, consider transferring it into the LGPS.

You can, if you wish, pay up to 100% of your total UK taxable earnings in any one tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a “tax relief at source” arrangement, such as a personal pension or stakeholder pension scheme) 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 – most people will not be affected by these controls. To find out more, see the section on **Tax Controls and Your LGPS Benefits**.

### **How do I ensure that I have become a member of the LGPS?**

On joining the LGPS relevant records and a **pension account** (for each employment in the scheme, if you have more than one) will be set up and an official notification of your membership of the LGPS will be sent to you. **You should check your payslip to make sure that pension contributions are being deducted.**

### **Can I opt out of the LGPS?**

If you are thinking of opting out you might first want to consider an alternative option which is to elect to move to the 50/50 section of the scheme. The 50/50 section allows you to pay half your normal contributions in return for half your normal pension build up. To find out more, see the section on **Contribution flexibility**.

If, having considered the 50/50 option, you still decide the LGPS is not for you, you can leave the LGPS at any time on or after your first day of eligible employment by giving your employer notice in writing. You might, however, want to take independent financial advice before making the final decision to opt out.

If you opt out of the LGPS before completing 3 months membership you will be treated as never having been a member and your employer will refund to you, through your pay, any contributions you have paid during that time.

If you opt out of the LGPS with 3 or more months membership and before completing the 2 years **vesting period** you can take a refund of your contributions (less any statutory deductions) or transfer out your pension to another scheme. If you were in the scheme before 1 April 2014 and opt out on or after that date with 3 or more months membership and before completing the 2 years

**vesting period** you will also have the option of having deferred benefits in the scheme instead of taking a refund of your contributions (less any statutory deductions).

If you opt out of the LGPS after meeting the 2 years **vesting period** you will have deferred benefits in the scheme and will generally have the same options as anyone leaving their job before retirement, except you cannot draw your deferred benefits unless you have left your job. Also, if you re-join the scheme, you will not be permitted to join the two periods of membership together. Instead, you will have two separate sets of pension benefits in the scheme. You can find details of these options in the section on **Leaving your job before retirement**.

If you opt out you can, provided you are otherwise eligible to join the scheme, opt back into the scheme at any time before age 75.

If you opt out of the LGPS then:

- on the date your employer is first required to comply with the automatic enrolment provisions under the Pensions Act 2008, your employer will automatically enrol you back into the LGPS if you are an **Eligible Jobholder** at that time in the job you've opted out from, or
- if on the date your employer is first required to comply with the automatic enrolment provisions under the Pensions Act 2008, you are not an **Eligible Jobholder** in the job you opted out from, your employer will, if you subsequently become an **Eligible Jobholder** in that job, automatically enrol you back into the LGPS from the **automatic enrolment date**.

Your employer must notify you if this happens. You would then have the right to again opt out of the LGPS.

If you stay opted out your employer will normally automatically enrol you back into the LGPS approximately every 3 years from the date they have to comply with the automatic enrolment provisions provided, at the date your employer must enrol you back in, you are an **Eligible Jobholder**.

However, in any of the above cases, your employer can choose not to automatically enrol you if:

- you had opted out of the LGPS less than 12 months prior to the date you would have been automatically enrolled in the job, or
- notice to terminate employment has been given before the end of the period of six weeks beginning with the date you would have been automatically enrolled in the job, or
- your employer has reasonable grounds to believe that, on what would have been the date they would have automatically enrolled you, you hold Primary Protection, Enhanced Protection, Fixed Protection, Fixed Protection 2014, Fixed Protection 2016, Individual Protection 2014 or Individual Protection 2016 (see the section on **Tax Controls and Your LGPS Benefits**), or
- you hold office as a director of the company by which you are employed,
- you are a member of a limited liability partnership (LLP), have earnings payable by the LLP but you are not treated for income tax purposes as being employed by the LLP.

## Contributions

### What do I pay?

The rate of contributions you pay is based on how much you are paid. There are 9 different pay bands with contribution rates ranging from 5.5% to 12.5% of your **pensionable pay**. If you elect for the 50/50 section of the scheme you would pay half the rates listed below. The rate you pay depends on which pay band you fall into. When you join, and every April afterwards, your

employer will decide your contribution rate. Also, if your pay changes throughout the year, your employer may decide to review your contribution rate.

Here are the pay bands and the rates that apply from April 2019.

Contribution table 2019/20	
If your actual pensionable pay is:	You pay a contribution rate of
Up to £14,400	5.5%
£14,401 to £22,500	5.8%
£22,501 to £36,500	6.5%
£36,501 to £46,200	6.8%
£46,201 to £64,600	8.5%
£64,601 to £91,500	9.9%
£91,501 to £107,700	10.5%
£107,701 to £161,500	11.4%
Over £161,501	12.5%

The contribution rates and / or pay bands will be reviewed periodically and may change in the future. This is to maintain the average contribution from employees at 6.5% and to ensure the long term costs of the scheme are managed.

You pay contributions on your normal salary or wages plus any shift allowance, bonuses, overtime (both contractual and non-contractual), Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any 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, any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, pay relating to loss of future pensionable payments or benefits, any pay paid by your employer if you go on **reserve forces service leave** nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

When you join the scheme your employer will decide your appropriate rate of contributions for each job you have. Your employer may decide to review your contribution rate, if for example your pay changes during the year. If this results in a change to your contribution rate they must let you know.

If you elect for the 50/50 section of the scheme you will start paying half your normal rate of contributions from your next available pay period.

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 currently 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.

### **Do I receive tax relief on my contributions?**

The LGPS is fully approved by HM Revenue and Customs, which means that if you earn enough to pay tax, you receive tax relief on your contributions. To achieve this, your contributions are deducted from your **pensionable pay** 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. There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increases in any one year by more than the annual allowance you may have to pay a tax charge. Most people will not be affected by the annual allowance. To find out more, see the section on **Tax controls and your LGPS benefits**.

### **Is there any flexibility to pay less contributions?**

Yes, in the scheme there is an option known as 50/50 which provides the facility to contribute less to the LGPS. If you elect for 50/50 you would, from your next available pay period, pay half your normal contributions in return for half your normal pension. You still retain full life assurance and ill health cover when you are in the 50/50 section of the scheme. To find out more, see the section on **Contribution flexibility**.

### **Can I make extra contributions to increase my benefits?**

You can increase your benefits by paying additional contributions, known as Additional Pension Contributions (APCs) 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 section on **Contribution flexibility**.

### **Is there a limit to how much I can contribute?**

There is currently no limit on the amount of contributions you can pay (although, as explained in the section on **Contribution flexibility**, there is a limit on the extra LGPS pension you can buy). However, tax relief will only be given on contributions up to 100% of your UK taxable earnings (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme). 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 – most people will not be affected by these controls. To find out more, see the section 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 where your employer offers you membership of the scheme, you can be a member of the scheme in all positions, provided you are eligible to join (see the paragraph above on **Who can join?**). You will have a separate **pension account** for each job and receive a separate pension at retirement.

If you leave one job before leaving the other(s), the pension from the **pension account** of the job that has ended will be joined to the **pension account** for the ongoing job (or, if there is more than one ongoing job, the one you choose) unless you have met the 2 years **vesting period**, in which case you will, if you wish, be able to choose within 12 months of ceasing the job that has ended or such longer period as your employer may allow to keep the **pension accounts** separate. Details will be provided by Avon 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 or to the LGPS in Scotland or Northern Ireland, you may be able to transfer your previous pension rights into the LGPS (provided you are not already taking 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 a **discretion**; you can ask your employer what their policy is on this.

Avon Pension Fund can advise you of their process for transferring previous pension rights into the LGPS. Whether or not you should transfer 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 section on [Transferring pension rights into the LGPS](#).

## What if I've been a member before and now re-join the LGPS?

If you re-join 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 an election for separate benefits within 12 months of re-joining the scheme (or such longer period as your employer allows).

If you have deferred benefits in an LGPS administering authority 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**.

If you have deferred benefits in the LGPS in England or Wales and left the scheme before 1 April 2014 or your deferred benefits include membership built up before 1 April 2014 please see the [Transferring Pension Rights into the LGPS](#) section for further information.

If you wish to transfer your previous LGPS pension rights you should contact Avon Pension Fund as soon as possible to find out about the process and what 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.

## I'm already receiving an LGPS pension – will it be affected?

If you built up any pension in the scheme before 1 April 2014 and you are re-employed in **local government** or by an employer who offers membership of the LGPS you must tell the LGPS administering authority that pays your pension about your new employment, regardless of whether you join the scheme in your new position or not. They will let you know whether your pension in payment is affected in any way.

Subject to the next paragraph, if you have only built up benefits in the LGPS from 1 April 2014, take your pension and are then reemployed in **local government** or by an employer who offers membership of the LGPS you do not need to inform the LGPS administering authority that pays your pension as there is no effect on your pension in payment.

If you are in receipt of an LGPS ill health pension which is of the type that is stopped if you are in

any gainful employment, your pension may be affected and you must inform the employer who awarded you that pension if you take up employment (whether in **local government** or elsewhere). They will let you know whether your pension in payment should be stopped.

## Forms to fill in:

### Death benefit forms

If you die in service, a **lump sum death grant** of three times your **assumed pensionable pay** is paid no matter how long you have been a member of the LGPS.

Avon Pension Fund has absolute **discretion** when deciding on 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 an 'Expression of Wish' form. The form is available from Avon Pension Fund, or you can download one from our website at: [www.avonpensionfund.org.uk/forms](http://www.avonpensionfund.org.uk/forms)

If you cohabit with a partner of either the opposite or same sex, there is a provision in the LGPS for your partner to receive a survivor's pension on your death. Avon Pension Fund must be satisfied that your relationship meets certain conditions laid down by the LGPS before paying a survivor's pension to an **eligible cohabiting partner**. You can find out about these conditions from the section on **Life cover – protection for your family**.

If this applies to you, you may wish to complete a cohabiting partner's form to provide Avon Pension Fund with additional details to assist them when deciding whether the criteria for such a survivor's pension are met should a cohabiting partner's pension need to be paid. The form 'Nomination of a Cohabiting Partner for Survivors Pension' form is available from Avon Pension Fund, or you can download one from our website at: [www.avonpensionfund.org.uk/forms](http://www.avonpensionfund.org.uk/forms)



## More information

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

Avon Pension Fund  
Bath and North East Somerset Council

Web: [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)  
E-mail: [avonpensionfund@bathnes.gov.uk](mailto:avonpensionfund@bathnes.gov.uk)  
Tel: 01225 395100

The national website for members of the LGPS can be found at [www.lgpsmember.org](http://www.lgpsmember.org).

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 section **Help with Pension Problems**.

## Disclaimer

The information in this guide applies to individuals who were contributing members of the Local Government Pension Scheme on 1st April 2014 or who have since joined.

The guide was up-to-date at the time of publication in June 2019. This guide 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 guide does not confer any contractual or statutory rights and is provided for information purposes only.

**June 2019**