

A brief guide to the Local Government Pension Scheme (LGPS) for employees in England and Wales

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Where pension terms are used in this guide, they appear in ***bold italic*** type. These terms are defined in the [Some terms we use](#) section.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

The Scheme

This guide is a short description of the conditions of membership and main Scheme benefits that apply if you pay into the LGPS on or after 1 April 2014.

You can find out more about the scheme in the [LGPS member videos: Pensions Made Simple](#). 'What is a Pension' and 'How your Pension Works' provide brief introductions to the scheme.

What kind of scheme is it?

The LGPS is a tax approved, defined benefit occupational pension scheme which was set up under the Superannuation Act 1972. In the future, Scheme rules will be made under the Public Service Pension Schemes Act 2013.

The LGPS was contracted out of the State Second Pension scheme (S2P) until 5 April 2016. From 6 April 2016, the 'contracted out' status ended for all pension schemes due to the introduction of the single tier State Pension. The LGPS meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008.

The amount of pension you earn in a **Scheme year** is worked out each year and added to your **pension account**. The total amount of pension in your **pension account** is revalued at the end of each **Scheme year** so your pension keeps up with the cost of living.

The LGPS is very secure because the benefits are set out in law.

Who can join?

The LGPS covers employees working in local government and for 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 public service pension scheme, such as the NHS Pension Scheme, are not allowed to join the LGPS.

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

Your Pension

Your LGPS benefits are made up of:

- an annual pension that, after leaving, increases every year in line with the cost of living for the rest of your life, and
- the option to exchange part of your pension for a tax-free lump sum paid when you take your pension benefits.

How is my pension worked out?

Benefits built up from 1 April 2014

Every year, you will build up a pension at a rate of 1/49th of the amount of **pensionable pay** (and **assumed pensionable pay**) you received in that **Scheme year** if you are in the main section of the Scheme. You will build up a pension at half this rate if you are in the 50/50 section of the Scheme.

The amount of pension built up during the **Scheme year** is added to your **pension account** and revalued at the end of each **Scheme year**, so your pension keeps up with the cost of living.

What pay is used to work out my pension from 1 April 2014?

The amount of pension added into your **pension account** at the end of the **Scheme year** is worked out using your **pensionable pay** which is the amount of pay on which you pay your normal pension contributions.

If during the **Scheme year** you had been:

- on leave on reduced contractual pay or no pay due to sickness or injury,
- on **relevant child related leave** or
- **reserve forces service leave**

then, for the period of that leave, your pension is based on your **assumed pensionable pay**.

How is my pension worked out – an example

Let's look at the build-up in a member's **pension account** for seven years in the Scheme. Let's assume that:

- the member joined the Scheme on 1 April 2014

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

For membership built up from 1 April 2008 to 31 March 2014, you receive a pension of 1/60th of your ***final pay***. There is no automatic lump sum for membership built up after March 2008, but you do have the option to exchange some of your pension for a tax-free lump sum.

If you were paying into the LGPS on 31 March 2012 and were within 10 years of age 65 at 1 April 2012, you may qualify for an additional protection called **the underpin**. If you are covered by the underpin, you will get a pension at least equal to that which you would have received if the Scheme had not changed on 1 April 2014.

The underpin can also apply if:

- you were an active member of another public service pension scheme on 31 March 2012,
- you were within 10 years of age 65 on 1 April 2012, and
- you subsequently join the LGPS and transfer your pension benefits from the other public service pension scheme into the LGPS.

If you are covered by the underpin, a calculation will be performed when you stop contributing to the Scheme, or at your protected ***Normal Pension Age*** if earlier. The purpose of the calculation is to check that the pension you have built up is at least equal to the pension you would have received if the Scheme had not changed on 1 April 2014. If it isn't, the difference will be added into your ***pension account*** when your pension is paid to you.

The underpin calculation is slightly different if you have been in the 50/50 section of the Scheme at any time. The pension you would have built up in the main section of the Scheme is compared with the pension you would have received if the Scheme had not changed on 1 April 2014.

More information on the underpin is available from the [national website for LGPS members](#).

Can I exchange part of my pension for a lump sum?

You can exchange part of your pension for a one-off tax-free cash payment. You will receive £12 lump sum for each £1 of annual pension given up. You can take up to 25% of the capital value of your pension benefits as a lump sum. The total lump sum must not exceed £268,275 (2020/21 figure). If you have previously taken payment of (crystallised) pension benefits, you can take 25% of your remaining lifetime allowance as a lump sum. Details of the maximum tax-free cash payment you can

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

take will be given to you shortly before your retirement. It is at that time you need to make a decision.

Taking AVCs as cash

If you pay ***Additional Voluntary Contributions (AVCs)*** in the LGPS, you may be able to take your AVC fund as a tax-free lump sum. This option will be open to you if:

- you take your AVC at the same time as your main LGPS benefits
- your AVC plus your LGPS lump sum is less than 25% of the overall value of your LGPS benefits (including your AVC fund) and
- the total lump sum doesn't exceed £268,275¹ (2020/21 figure).

Details of this option will be given to you shortly before your retirement.

¹Or if you have previously taken payment of (crystallised) pension benefits the total lump sum must not exceed 25% of your remaining lifetime allowance

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Retirement

You can find out more about the scheme in the [LGPS member videos: Pensions Made Simple](#). 'Life after work' covers your options when you take your pension.

When can I retire and take my LGPS pension?

You can choose to retire and take your pension from the LGPS at any time from age 55 to 75, provided you have met the two years **vesting period** in the Scheme.

The **Normal Pension Age** in the LGPS is linked to your **State Pension Age**, but with a minimum of age 65. If the **State Pension Age** changes in the future, then this change will also apply to your **Normal Pension Age** for benefits built up after 31 March 2014.

If you voluntarily retire before, on or after your **Normal Pension Age** you can defer taking your benefits, but you must take them before age 75. If you take your pension after your **Normal Pension Age**, your benefits will be paid at an increased rate to reflect late payment.

If you built up membership in the LGPS before 1 April 2014 then you will have membership in the final salary scheme. These benefits have a different **Normal Pension Age**, which for most people is age 65.

You may have to retire at your employer's instigation, perhaps because of redundancy, business efficiency or permanent ill health. Provided you have met the two years **vesting** period, in these circumstances your LGPS benefits will provide you with an immediate retirement pension.

Will my pension be reduced if I retire early?

If you choose to retire before your **Normal Pension Age** your benefits will normally be reduced because they will be paid for longer. Your benefits are calculated as set out in the [How is my pension worked out?](#) section and are then reduced. How much your benefits are reduced by depends on how early you take them.

If you were a member of the LGPS at any time between 1 April 1998 and 30 September 2006, some or all your benefits paid early could be protected from the reduction if you have rule of 85 protection.

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

What if I lose my job through redundancy or business efficiency?

If you are aged 55 or over you will be entitled to the immediate unreduced payment of your LGPS benefits, provided you have met the two years **vesting period** in the Scheme. However, any additional pension paid for by Additional Pension Contributions (APCs) or by Shared Cost Additional Pension Contributions (SCAPCs) would be paid at a reduced rate if the retirement occurred before your **Normal Pension Age**. If you have bought additional pension by Additional Regular Contributions (ARCs), that additional pension would be paid at a reduced rate if the retirement occurs before your pre-1 April 2014 **Normal Pension Age** which, for most, is age 65.

What happens if I have to retire early due to ill health?

If you have to leave work due to illness you may be able to receive immediate payment of your benefits.

To qualify for ill health benefits:

- you must have met the two years **vesting period** in the Scheme
- your employer, based on an opinion from an independent occupational health physician appointed by them, must be satisfied that:
 - you will be permanently unable to do your own job until your **Normal Pension Age** and
 - you are not immediately capable of undertaking gainful employment.

Ill health benefits can be paid at any age and are not reduced for early payment. In fact, your benefits could be increased to make up for your early retirement if you are unlikely to be capable of gainful employment within three years of leaving.

Can I have a gradual move into retirement?

This is known as flexible retirement. If your employer agrees, from age 55:

- if you reduce your hours or
- move to a less senior position
- and
- provided you have met the two years **vesting period** in the Scheme

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

you can take some or all of the pension benefits you have built up, helping you ease into retirement.

If you take flexible retirement before your **Normal Pension Age** your benefits may be reduced because of early payment, unless your employer agrees to waive the all or part of the reduction. If your employer agrees to flexible retirement, you can still receive your pay from your job on the reduced hours or grade and continue paying into the LGPS, building up further benefits in the Scheme. Flexible retirement is at the discretion of your employer and they must set out their policy in a published statement.

What if I carry on working after my Normal Pension Age?

If you carry on working after your **Normal Pension Age** you will continue to pay into the LGPS, building up further benefits. When you eventually retire you will receive your pension unless you choose to delay taking it. Your pension must be paid to you by age 75. Your pension will be paid at an increased rate to reflect the fact that it will be paid for a shorter time.

How does my pension keep its value?

On retiring on or after age 55, your LGPS pension increases in line with the cost of living every year throughout your retirement. As the cost of living increases, so will your pension. If you retire on ill health grounds, your pension is increased each year regardless of your age.

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

Protection for your family

You can find out more about the scheme in the [LGPS member videos: Pensions Made Simple](#). 'Protection for you and your family' covers death benefits in the LGPS.

What benefits will be paid if I die in service?

If you die in service as a member of the LGPS the following benefits are payable:

- A lump sum death grant of three times your ***assumed pensionable pay***
- Pensions for ***eligible children***
- A spouse's, ***civil partner's*** or, subject to certain qualifying conditions, an ***eligible cohabiting partner's*** pension.

What will be paid to my spouse, civil partner or cohabiting partner?

For each year of membership from 1 April 2014 to your date of death, the pension payable to a spouse, ***civil partner*** or ***eligible cohabiting partner*** is the total of:

- 1/160th of your ***pensionable pay*** (or ***assumed pensionable pay***)
- 49/160ths of the amount of any pension credited to your pension account following a transfer of pension rights into the Scheme, and
- 1/160th of your ***assumed pensionable pay*** for each year of membership you would have built up from your date of death to your ***Normal Pension Age***.

For final salary membership built up **before** 1 April 2014, the pension payable to a spouse or ***civil partner*** is equal to 1/160th of your ***final pay*** times your membership up to 31 March 2014. For an ***eligible cohabiting partner***, the calculation is the same, but the pension is only based on:

- your membership after 5 April 1988 plus
- any of your membership before 6 April 1988 that you have paid additional contributions for, so that it counts towards an ***eligible cohabiting partner's*** pension.

If you are in the 50/50 section of the Scheme when you die, this does not affect the value of any pension for your ***spouse, civil partner, eligible cohabiting partner*** or ***eligible children***.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

If you are receiving a pension and are also an active member of the Scheme, or have a separate deferred benefit when you die, this may impact on the death grant that is paid.

Will my cohabiting partner be paid a survivor's pension?

If you have a cohabiting partner, of either opposite or same sex, they will be entitled to receive a survivor's pension on your death if they meet certain criteria.

For an **eligible cohabiting partner's** survivor's pension to be payable, all the following conditions must have applied for a continuous period of at least two years on the date of your death:

- you and your cohabiting partner are, and have been, free to marry each other or enter into a **civil partnership** with each other, and
- you and your cohabiting partner have been living together as if you were a married couple, or **civil partners**, and
- neither you or your cohabiting partner have been living with someone else as if you/they were a married couple or **civil partners**, and
- either your cohabiting partner is, and has been, financially dependent on you or you are, and have been, financially interdependent on each other.

On your death, a survivor's pension would be paid to your cohabiting partner if:

- all the above criteria apply at the date of your death, and
- your cohabiting partner satisfies the LGPS administering authority that the above conditions had been met for a continuous period of at least two years immediately before your death.

Who is the lump sum death grant paid to?

The LGPS allows you to indicate who you would like any death grant to be paid to by [completing and returning an expression of wish form](#). We, however, retain absolute discretion when deciding on who to pay any death grant to. You can find out how to contact us at the end of this guide.

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

Leaving the Scheme before retirement

If you leave your job before retirement and have met the two years **vesting period**, you will have built up an entitlement to a pension. You will have two options:

- you can choose to keep your benefits in the LGPS. These are known as deferred benefits and will increase every year in line with the cost of living, or
- you may be able to transfer your deferred benefits to another pension arrangement.

If you leave your job before retirement and **have not** met the two years **vesting period**, you will have three options:

- you will normally be able to claim a refund of your contributions, or
- you may be able to transfer your benefits to a new pension arrangement, or
- you can delay your decision until you either re-join the LGPS, transfer your benefits to a new pension arrangement, or want to take a refund of contributions. A refund of contributions must be paid within five years of the date you left the Scheme (or by age 75 if earlier).

Refunds of contributions

If you leave with less than two years' Scheme membership or opt out of the Scheme with more than three months but less than two years' membership, you will normally be able to take a refund of your contributions. There will be a deduction for tax and the cost, if any, of buying you back into the State Second Pension scheme (S2P) in relation to any membership before 6 April 2016. A refund of contributions must be paid within five years of the date you left the Scheme (or age 75 if earlier).

Deferred benefits

If you leave before your **Normal Pension Age** and you meet the two years **vesting period**, you will be entitled to deferred benefits within the LGPS. Your deferred LGPS benefits will be calculated as described in the [How is my pension worked out?](#) section.

While your pension benefits are deferred, they will increase each year in line with the cost of living.

Your deferred benefits will normally be paid unreduced at your **Normal Pension Age**, unless one of the following happens:

Pension terms in **bold italic** type are defined in the [Some terms we use](#) section.

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For each year of membership from 1 April 2014 to your date of leaving, the pension payable to a spouse, ***civil partner*** or ***eligible cohabiting partner*** is the total of:

- 1/160th of the ***pensionable pay*** (or ***assumed pensionable pay***)
- 49/160ths of the amount of any pension credited to your ***pension account*** following a transfer of pension rights into the Scheme from another pension scheme or arrangement.

For final salary membership built up **before** 1 April 2014 the pension payable to a spouse or ***civil partner*** is equal to 1/160th of your ***final pay*** times your membership in the Scheme up to 31 March 2014. If you marry or enter into a ***civil partnership*** after leaving it could be less. For an ***eligible cohabiting partner***, the calculation is the same, but the pension is only based on the period of membership after 5 April 1988 (plus any of your membership before 6 April 1988 for which you've paid additional contributions so that it counts towards an ***eligible cohabiting partner's*** pension).

What if I have two or more LGPS jobs?

If you:

- have two or more jobs in which you pay into the LGPS at the same time
- leave one or more but not all of them, and
- you are entitled to deferred benefits from the job (or jobs) you have left

your deferred benefits from the job that has ended are automatically transferred to the active ***pension account*** for the job you are continuing in, unless you elect to keep them separate. If you wish to keep your deferred benefits separate you must elect to do so within 12 months of re-joining the LGPS, unless your employer allows you longer. If you are not entitled to deferred benefits from the job (or jobs) you have left, you cannot have a refund of your contributions and you must transfer your benefits to the ***pension account*** for the job you are continuing in.

Transferring your benefits

If you leave the Scheme and you are entitled to deferred benefits or a refund you can generally transfer the cash equivalent of your pension benefits into another pension arrangement or a new employer's pension scheme. This may even be to an overseas pension scheme or arrangement that meets HM Revenue and Customs conditions.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Help with pension problems

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 us. We will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible. If your query is about your contribution rate, please contact your employer's personnel/HR or payroll section so they can explain how they have decided which contribution band you are in.

If you are still dissatisfied with any decision made in relation to the Scheme you have the right to have your complaint 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:

Internal Disputes Resolution Procedure

In the first instance, you should write to the adjudicator appointed by the body 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 or the act or omission about which you are complaining (or such longer period as the adjudicator considers reasonable). This is a formal review of the initial decision or act or omission and is an opportunity for the matter to be reconsidered. The adjudicator will consider your complaint and notify you of his or her decision. If you are dissatisfied with that person's decision (or their failure to make a decision), you may apply to the Scheme's administering authority to have it reconsidered.

A leaflet explaining the Internal Disputes Resolution Procedure including relevant time limits is available from us.

The Pensions Advisory Service (TPAS)

TPAS provides independent and impartial information about pensions, free of charge, to members of the public. TPAS is available to assist members and beneficiaries of the Scheme with any pension query they have or any general requests for information or guidance concerning their pension benefits. TPAS can be contacted:

In writing: 11 Belgrave Road, London, SW1V 1RB

By telephone: 0800 011 3797

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

or employers, and remove trustees from a scheme. If you have a concern about your workplace pension you can contact them:

By telephone: 0345 600 7060

Website: www.thepensionsregulator.gov.uk

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 schemes. All occupational and personal pension schemes have to register if the pension scheme has current members contributing to the scheme or people expecting benefits from the scheme. If you need to use this tracing service:

Write to: The Pension Tracing Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU

Telephone: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

Don't forget to keep your pension providers up to date with any change in your home address.

Pension terms in ***bold italic*** type are defined in the [Some terms we use](#) section.

Some terms we use

Additional Voluntary Contributions (AVCs)

These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover.

All local government administering authorities have an AVC arrangement in which you can invest money through an AVC provider, often an insurance company or building society. AVCs are deducted directly from your pay and attract tax relief.

Admission body

An admission 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.

Assumed pensionable pay

This provides a notional **pensionable pay** figure to ensure your pension is not affected by any reduction in **pensionable pay** due to a period of sickness or injury on reduced contractual pay or no pay, or **relevant child related leave** or **reserve forces service leave**.

If you have a period of reduced contractual pay or no pay due to sickness or injury or you have a period of **relevant child related leave** or **reserve forces service leave**, then your employer needs to provide the LGPS administering authority with the **assumed pensionable pay**. This is the pay you would have received during that time, unless during the period of **relevant child related leave** the **pensionable pay** received was higher than the value of the **assumed pensionable pay**. Your employer must work out what your pay would have been for the period when you were on reduced contractual pay or no pay.

Assumed pensionable pay is calculated as the average of the **pensionable pay** you received for the 12 weeks (or three months, if monthly paid) before the pay period in which:

- you went on to reduced pay or no pay because of sickness or injury
- you started a period of **relevant child related leave** or
- you started a period of **reserve forces service leave**.

In calculating the average, any pay reduction due to authorised leave of absence or a trade dispute is ignored. If the pay you received in the 12 weeks (or three months if monthly paid) before the pay period in which you went on to reduced pay or no pay

Further information and disclaimer

This guide is for employees in England or Wales and reflects the provisions of the LGPS and overriding legislation as at June 2020.

The national website for members of the LGPS is www.lgpsmember.org

This guide cannot cover every personal circumstance. It does not cover all ill health retirement benefits nor rights that apply to those whose rights are subject to a pension sharing order following divorce or dissolution of a civil partnership. Nor does it cover rights that apply to a limited number of employees eg those whose total pension benefits exceed the lifetime allowance (£1,073,100 million in 2020/21), those whose pension benefits increase in any tax year by more than the standard annual allowance (£40,000 in 2020/21) or for high earners, the tapered annual allowance, or those to whom protected rights apply. You can find out basic information about the lifetime allowance and the annual allowance in the [LGPS member videos: Pensions Made Simple](#).

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:

www.kentpensionfund.co.uk

[Online enquiry and document upload form](#)

Call: 03000 41 34 88