



# **A brief guide to the Local Government Pension Scheme (LGPS)**

For employees in England and Wales

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The pension terms we use in this guide are defined in the [Some terms we use](#) section.

## Highlights of the LGPS

The LGPS gives you:

**Secure benefits:** the Scheme provides you with a future income, independent of share prices and stock market fluctuations.

**At a low cost to you:** with tax-efficient savings

**And your employer pays in too:** the scheme is provided by your employer who meets the balance of the cost of providing your benefits in the LGPS.

You can look forward to your retirement in the LGPS with:

**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 an amount equal to a 49th of your pensionable pay in that year if you are in the main section. The total amount of pension in your account at the end of every scheme year is adjusted in the following April to take into account the cost of living (as currently measured by the Consumer Prices Index (CPI)). The Scheme year runs from 1 April to 31 March.

**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 to pay half your normal contributions in return for half your normal pension. This is known as the 50/50 section of the Scheme. The 50/50 section is designed to help members stay in the Scheme when times are financially tough.

**Tax-free cash:**

when you take your pension, you have the option 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. If you ever become seriously ill and you've met the two 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. Once you've met the two 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. 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 and efficiency retirement:**

if you are made redundant or retired in the interests of business efficiency when you are 55 or over, you will receive immediate payment of the benefits you've built up, provided you've met the two years vesting period. Your main LGPS benefits would not be reduced for early payment. Any additional pension you have bought would be reduced if you are under your Normal Pension Age when you retire.

The Government has announced that the earliest age you can take your pension will increase from 55 to 57 from April 2028. Find out more in the Pension age changes section.

### **Flexible retirement:**

You may wish to consider flexible retirement if:

- you are age 55 or over
- you have met the two years vesting period, and
- your employer agrees.

Flexible retirement helps you ease into retirement. If you reduce your hours or move to a less senior position, you can take some or all the benefits you have already built up. Your benefits may be reduced for early payment.

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The Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028. Find out more in the Pension age changes 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 from 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. Scheme rules are now 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 in the April following 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

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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.

You will automatically join on the date your employment begins if you are eligible, unless your contract of employment is for less than three months. If your contract is for less than three months, you can elect to join by completing an opt-in form. If you don't elect to join, you may still become a member automatically if your employer:

- extends your contract so that it is for longer than three months, you will join the Scheme from the pay period after your contract is extended
- must enrol you into the Scheme under the Government automatic enrolment provisions. Your employer must do so if you are an eligible jobholder, unless your employer decides to postpone the date you join. An eligible jobholder is a worker who is age 22 or over, under State Pension Age who earns more than £10,000 a year.

If you join the Scheme you have the right to opt out. You can complete an opt out form once you have started your employment.

### How will I know that I have joined the LGPS?

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

### Can I opt out of the LGPS and re-join later?

Yes, you can opt out of the Scheme. If you are thinking of opting out you might first want to consider an alternative option, which is to move to the 50/50 section of the Scheme. In the 50/50 section, you pay half your normal contributions in return for half your normal pension build-up. To find out more, see the section on [Flexibility to pay less](#).



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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 completing an opt out form. You can get an opt out form from Bedfordshire Pension Fund. Your employer is not allowed to provide you with an opt out form. You might want to take independent financial advice before making the final decision to opt out.

If you opt out of the LGPS before completing three months' membership, you will be treated as never having been a member. Your employer will refund any contributions you have paid through your pay.

If you opt out of the LGPS with three or more months' membership and before completing the two years vesting period, you can usually take a refund of your contributions (less an adjustment for tax) or transfer out your pension to another scheme.

If you opt out of the LGPS after meeting the two years vesting period, you will have deferred benefits in the Scheme. You will generally have the same options as anyone leaving their job before retirement, except you cannot take your deferred benefits unless you have left your job. If you re-join the Scheme you will not be permitted to join your deferred benefit with the pension account that will be created when you re-join the Scheme. Instead, you will have two separate sets of pension benefits.

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

If you stay opted out, your employer will normally automatically enrol you back into the LGPS approximately every three years from the date they have to comply with the automatic enrolment provisions provided you are an Eligible Jobholder at that time. An eligible jobholder is a worker who is aged at least 22 and is under State Pension Age and who earns more than £10,000 a year.

Your employer can choose not to automatically enrol you if:

- you had opted out of the LGPS less than 12 months before the date you would have been automatically enrolled in the job, or

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- you or your employer gives notice to end your employment before or shortly after the automatic enrolment date, or
- your employer has reasonable grounds to believe that, on what would have been the date they automatically enrolled you, you hold Primary Protection, Enhanced Protection, Fixed Protection, Fixed Protection 2014, Individual Protection 2014, Fixed Protection 2016 or Individual Protection 2016.

## What do I pay?

Your contribution rate depends on how much you are paid but it's currently between 5.5% and 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. 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 2023.

**Table 1: Contribution bands for 2023/2024**

<b>If your actual pensionable pay is:</b>	<b>You pay a contribution rate of:</b>
Up to £16,500	5.5%
£16,501 to £25,900	5.8%
£25,901 to £42,100	6.5%
£42,101 to £53,300	6.8%
£53,301 to £74,700	8.5%
£74,701 to £105,900	9.9%
£105,901 to £124,800	10.5%
£124,801 to £187,200	11.4%
£187,201 or more	12.5%

The contribution rates and pay bands will be reviewed periodically and may change in the future.

## Do I get tax relief?

As a member of the LGPS, if you earn enough to pay tax, your contributions will attract tax relief when they are deducted from your pensionable pay. 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 standard annual allowance of £60,000 (increased from £40,000 on 6 April 2023), you may have to pay a tax charge. Most people will not be affected by the annual allowance.

## Contributions

### Does my employer contribute?

Your employer currently 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.

### Is there flexibility to pay less in contributions?

Yes, there is an option known as 50/50. In the 50/50 section you pay half the normal contributions and build up half the normal pension during the time you pay reduced contributions. See the section on [Flexibility to pay less](#).

### Can I pay extra to increase my benefits?

You can increase your benefits by:

- paying additional pension contributions to buy extra LGPS pension, or
- making payments to the Scheme's Additional Voluntary Contributions (AVC) arrangement.

See the section on [Flexibility to pay more](#).

## Re-joining the LGPS

If you re-join the LGPS and you have deferred benefits in an LGPS fund in England or Wales, your deferred benefits will generally be automatically joined with your new active pension account. You will have 12 months from re-joining the scheme to make your decision. Your employer may allow you longer to decide.

Different rules apply if you have deferred benefits in an LGPS fund in England or Wales because you opted out of the Scheme on or after 11 April 2015. You cannot join those benefits with your new active pension account. They will remain as a separate deferred benefit.

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

## Can I transfer in 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. You only have 12 months from joining the LGPS to opt to transfer your previous pension rights unless your employer and Bedfordshire Pension Fund's administering authority allow you longer. You cannot transfer a pension that is already being paid to you.

## What if I'm already receiving an LGPS pension?

If you are already receiving a pension from the Scheme, some or all of which you built up before 1 April 2014, and you are re-employed in local government or by an employer who offers membership of the LGPS, your pension may be affected. 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.

If you are receiving a pension from the Scheme, all of which you built up after 31 March 2014, and you are re-employed 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. There is no effect on your pension in payment. The only exception to this is if you are in receipt of a LGPS ill health pension of the type that is stopped if you are in any gainful employment. If this is the case, **you must inform the employer who awarded you that pension.** They will let you know whether your pension in payment should be stopped.

## Contribution Flexibility

You can find out more about the Scheme in the [LGPS member videos: Pensions Made Simple](#). 'Looking after your pension' introduces ways that you can pay reduced or extra contributions.

### Flexibility to pay less

When you join the Scheme, you will be placed in the main section of the Scheme. However, once you are a member of the Scheme you will be able to elect in writing to move to the 50/50 section at any time.

In the 50/50 section you pay half your normal contributions. This flexibility may be useful during times of financial hardship as it allows you to remain in the Scheme, building up valuable pension benefits, instead of opting out of the Scheme.

You can ask your employer for a 50/50 option form. If you have more than one job in which you contribute to the Scheme, you would need to specify in which of the jobs you wish to move to the 50/50 section.

If you elect for 50/50, you would be moved to that section from the next available pay period. You would then start paying half your normal contributions and build up half your normal pension during the time you are in that section. When you make an election for the 50/50 section, your employer must provide you with information on the effect this will have on your benefits in the Scheme.

If you were to die in service whilst in the 50/50 section of the Scheme, the lump sum death grant and any survivor pensions would be worked out as if you were in the main section of the Scheme. If you are awarded an ill health pension which includes an amount of enhanced pension, the amount of enhanced pension added to your pension account is worked out as if you were in the main section of the Scheme.

The 50/50 section is designed to be a short-term option for when times are tough financially. Because of this, your employer must re-enrol you back into the main section of the Scheme approximately three years from the date they first have to comply with the automatic enrolment provisions (and approximately every three

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years after that). If you wished to continue in the 50/50 section at that point you would need to make another election.

There is no limit to the number of times you can elect to move between the main and the 50/50 sections.

### **Flexibility to pay more**

There are several ways you can provide extra benefits on top of the benefits you are already looking forward to as a member of the LGPS.

You can improve your retirement benefits by paying:

- additional pension contributions to buy extra LGPS pension
- Additional Voluntary Contributions (AVCs) arranged through the LGPS (in-house AVCs),
- free standing additional voluntary contributions to a scheme of your choice,
- contributions to a stakeholder or personal pension plan.

Bedfordshire Pension Fund can give you more information on the first two of these options. Contact details are at the end of this guide. You may wish to take independent financial advice before you decide to pay extra.

## **Your Pension**

Your LGPS benefits are made up of:

- a pension that 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 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 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 in the April following the end of each Scheme year, so your pension keeps up with the cost of living. The Scheme Year runs from 1 April to 31 March.

#### **What pay is used to work out my pension?**

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. Assumed pensionable pay is a notional pay figure used to make sure your pension builds up as if you were at work receiving normal pay.



## How is my pension worked out – an example

Let's look at the pension account of a member who joined the Scheme on 1 April 2014 who had:

- pensionable pay of £24,500 in 2014/15
- increases to their pensionable pay of 1 per cent each year.

**Table 2: Example of pension build-up**

Scheme Year	Opening balance	Build-up in Scheme Year Pay / build up rate = pension	Total account 31 March	Cost of Living Adjustment	Total pension
1 2014/15	£0.00	$£24,500 \div 49$ = £500	£500	1.2% = £6	$£500 + £6 =$ <b>£506</b>
2 2015/16	£506	$£24,745 \div 49$ = £505	£1,011.00	-0.1% = -£1.01	$£1,011.00 +$ $-£1.01 =$ <b>£1,009.99</b>
3 2016/17	£1,009.99	$£24,992.45 \div 49$ = £510.05	£1,520.04	1% = £15.20	$£1,520.04 +$ $£15.20 =$ <b>£1,535.24</b>
4 2017/18	£1,535.24	$£25,242.37 \div 49$ = £515.15	£2,050.39	3% = £61.51	$£2,050.39 +$ $£61.51 =$ <b>£2,111.90</b>
5 2018/19	£2,111.90	$£25,494.79 \div 49$ = £520.30	£2,632.20	2.4% = £63.17	$£2,632.20 +$ $£63.17 =$ <b>£2,695.37</b>
6 2019/20	£2,695.37	$£25,749.74 \div 49$ = £525.50	£3,220.87	1.7% = £54.75	$£3,220.87 +$ $£54.75 =$ <b>£3,275.62</b>
7 2020/21	£3,275.62	$£26,007.24 \div 49$ = £530.76	£3,806.38	0.5% = £19.03	$£3,806.38 +$ $£19.03 =$ <b>£3,825.41</b>
8 2021/22	£3,825.41	$£26,267.31 \div 49$ = £536.07	£4,361.48	3.1% = £135.21	$£4,361.48 +$ $£135.21 =$ <b>£4,496.69</b>
9 2022/23	£4,496.69	$£26,529.98 \div 49$ = £541.43	£5,038.12	10.1% = £508.85	$£5,038.12 +$ $£508.85 =$ <b>£5,546.97</b>

### Benefits built up before 1 April 2014

On 1 April 2014, the LGPS changed from a final salary scheme to a career average scheme. If you joined the LGPS before then, you have built up benefits in the final salary scheme. These benefits are calculated differently, using your membership up to 31 March 2014 and your final pay.

**For membership built up to 31 March 2008**, you receive a pension of 1/80th of your final pay plus an automatic tax-free lump sum of three times your pension.

**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.

### The underpin

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 the pension 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 at any time. The pension you would have built up in the main section 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](#).

A recent court case has ruled that certain younger members should also qualify for the underpin. The Government is currently finalising changes to achieve this.

### 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 per cent of the capital value of your pension benefits as a lump sum. The total lump sum must not exceed £268,275. If you have previously taken payment of (crystallised) pension benefits, you can take 25 per cent of your remaining lifetime allowance as a lump sum. Details of the maximum tax-free cash payment you can take will be given to you shortly before you take your LGPS pension. 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 per cent of the overall value of your LGPS benefits (including your AVC fund) and
- the total lump sum doesn't exceed £268,275. If you have previously taken pension benefits, the lump sum must not exceed 25 per cent of your remaining lifetime allowance.

Details of this option will be given to you shortly before you take your LGPS pension.

## 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 two 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.

You don't have to decide straight away, but you should be aware that:

- a refund must be paid within five years of the date you left the Scheme, or by age 75 if earlier
- if you do not claim the refund and you re-join the LGPS it will no longer be payable. The benefits will be added to your new pension account instead
- your LGPS administering authority will set a deadline for you to elect to transfer out. You will not be able to transfer after this date.

### Refund of contributions

If you leave or opt out after three months and have not met the two-year vesting period, you will normally be able to take a refund of your contributions. There will be a deduction for tax. Your administering authority must pay the refund five years after the date you left the Scheme, or by age 75 if earlier.

### Deferred benefits

If you leave before your Normal Pension Age and you meet the two-year vesting period, you will be entitled to deferred benefits in the LGPS. Your deferred LGPS

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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:

- You transfer your deferred benefits to another pension scheme or arrangement.
- Your benefits are paid early on health grounds. Your benefits could be paid in full if:
  - you are permanently incapable of doing the job you were working in when you left the LGPS and
  - you are unlikely to be capable of undertaking any gainful employment within three years of the date you applied for your LGPS pension to be paid because of ill-health or by your Normal Pension Age, if this is earlier.
- You elect to receive your deferred benefits early from age 55 onwards.
- You elect not to receive your deferred benefits at your Normal Pension Age and defer receiving your pension until later. Your benefits must be paid by age 75.

Benefits paid earlier than your Normal Pension Age, other than on the grounds of permanent ill health, may be reduced to take account of their early payment and the fact that your pension will be paid for longer. Benefits paid after your Normal Pension Age will be increased.

The Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028. For more information, see the Pension age changes section.

## **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 leaving that job, 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 that meets HM Revenue and Customs conditions.

You cannot transfer your deferred benefits if:

- you leave less than one year before your Normal Pension Age
- you elect to transfer less than 12 months before your Normal Pension Age
- you are still paying into the LGPS in another employment or
- you are receiving an LGPS pension.

Your new pension provider will require a transfer value quotation which Bedfordshire Pension Fund will guarantee for three months.

You may also be able to transfer out your Additional Voluntary Contributions (AVCs) to a different pension arrangement. The conditions for transferring an AVC are

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different from those set out above. You can transfer your AVC without transferring your main LGPS benefits.

If you leave the LGPS with a deferred benefit and later re-join the Scheme, your deferred benefit will normally automatically be transferred to the active pension account for your new job, unless you elect to keep it separate. If you wish to keep your deferred benefit separate, you must normally elect to do so within 12 months of re-joining the LGPS. Your employer may allow you longer to decide.

If you leave the LGPS and are entitled to a refund of contributions (normally because you have less than two years' membership) and you:

- do not take a refund of contributions, and
- re-join the LGPS

then this deferred refund **must** be joined with your new active pension account.

### Transferring your benefits to a defined contribution scheme

The Government introduced flexible benefits from 6 April 2015 to allow members of defined contribution schemes, who are over age 55, more freedom on how they take money from their pension pot.

The LGPS is not a defined contribution pension scheme, it is a defined benefit scheme. It is not directly affected by these changes. However, if you stop paying into the LGPS and you have three or more months' membership, then unless you are retiring with immediate effect due to redundancy, business efficiency or ill health, you will have the right to transfer your LGPS pension to a defined contribution scheme providing flexible benefits. You can only transfer your pension if you elect to transfer at least one year before your Normal Pension Age.

You will be required by law to take independent financial advice if the value of your pension benefits in the LGPS (excluding AVCs) is more than £30,000. You are not required to take independent financial advice if the value of your benefits is less than £30,000. However, transferring your pension rights is not an easy decision to make. Seeking the help of an independent financial adviser before you make a final and irreversible decision to transfer could help you to make an appropriate decision.

## **LGPS member guide | Leaving the Scheme before retirement**

There are four main options for members aged over 55, who are in a defined contribution scheme which provides flexible benefits:

- purchasing an annuity
- flexi-access drawdown
- taking a number of cash sums at different stages
- taking the whole pot as cash in one go.



## 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.

However, the Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028. For more information, see the **Pension age changes** section.

The Normal Pension Age in the LGPS is linked to your State Pension Age, 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 leave your employment 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, it will be paid at an increased rate to reflect late payment.

If you were a member of the LGPS before 1 April 2014 then you will have built up benefits 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.

Note: The Government has announced the earliest age that you can take your pension, other than on ill-health grounds, will increase from age 55 to 57 from 6 April 2028.

## **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 of your benefits paid early could be protected from the reduction if you have rule of 85 protection.

## **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. Any additional pension paid for by additional pension contributions or by shared cost additional pension contributions would be paid at a reduced rate if you retire before your Normal Pension Age. If you have bought additional pension by Additional Regular Contributions, that additional pension would be paid at a reduced rate if you retire before your pre-1 April 2014 Normal Pension Age which, for most, is age 65.

The Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028. For more information, see the Pension age changes section.

## **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-year vesting period in the Scheme, and
- your employer, based on an opinion from an independent occupational health physician appointed by them, must be satisfied that:

## LGPS member guide | Retirement

- 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

you can take some or all of the pension benefits you have built up, helping you ease into retirement. You must take any benefits you built up before 1 April 2008.

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.

The Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028. For more information, see the Pension age changes section.

### 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 because it will be paid for a shorter time.

### **Pension age changes**

The Government has announced that the earliest age you can take your pension will increase from age 55 to 57 with effect from 6 April 2028. This does not apply if you have to take your pension early because of ill health.

You could be protected from this increase if you joined the LGPS before 4 November 2021. You could also be protected if you transferred a previous pension into the LGPS if certain conditions are met. You will only be able to use this protection when you take your LGPS pension if the LGPS rules allow you to take your pension before age 57.

The Department for Levelling Up, Housing and Communities (DLUHC) makes the LGPS rules. It has not yet confirmed if it will allow members who qualify for protection to take their LGPS pension before age 57 from 6 April 2028 onwards.

We will update this guide when DLUHC changes the Scheme rules to reflect the increase in the normal minimum pension age.

### **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.

## **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 when I die?**

On your death, pensions will be paid to your:

- eligible children
- spouse, civil partner, or, if certain conditions are met, eligible cohabiting partner.

A lump sum death grant will also be paid if you–

- die in service as a member of the LGPS
- leave before retirement with deferred benefits and die before receiving them
- die after receiving your pension, before age 75, if less than ten years' pension has been paid.

### **How much will the lump sum death grant be?**

This will depend on whether you die in service, after leaving but before you take your pension or when you are receiving your pension.

If you die in service as a member of the LGPS, the lump sum is three times your assumed pensionable pay.

If you leave before retirement with deferred benefits and you die before receiving them, the lump sum is five times your deferred yearly pension. If you are also an active member of the Scheme in another employment, this may impact on the death grant that is paid.

If you die when you are receiving your pension and before age 75, the lump sum is ten times the yearly amount of your pension before giving up any pension for tax-free lump sum, reduced by any pension and tax-free lump sum already paid to you. There is a slight difference to this calculation for any part of the pension you were

receiving which relates to membership before 1 April 2014. If you are also an active member of the Scheme in another employment, this may impact on the death grant that is paid.

### **Who is the lump sum death grant paid to?**

The LGPS allows you to say who you would like any death grant to be paid to by completing an expression of wish form. This form is available from Bedfordshire Pension Fund. The pension fund's administering authority, however, retains absolute discretion when deciding who to pay any death grant to. You can find out how to contact the pension fund at the end of this guide.

### **What will be paid to my surviving partner?**

Your spouse, civil partner or eligible cohabiting partner will receive a proportion of your pension. It will be paid for the rest of their life. Generally, this is:

- 30.625 per cent of the pension you built up from April 2014
- 37.5 per cent of the pension you built up between April 2008 and March 2014
- 50 per cent of the pension you built up before April 2008.

If you die in service as a member of the LGPS, the pension will include a proportion of the enhancement you would have received if you had retired on ill-health.

If you leave before retirement with deferred benefits and die before taking them, the pension is the relevant percentage of your deferred pension.

If you die after receiving your pension, the pension is the relevant percentage of your pension before giving up pension for tax-free lump sum and before any reductions or increases for early or late payment.

Some parts of your pension are not counted. This includes additional pension bought by paying additional pension contributions.

If you were in the 50/50 section, this does not affect the value of the survivor's pension.

## **LGPS member guide | Protection for your family**

Pensions for eligible cohabiting partners are based on your membership after 5 April 1988, unless you elected before 1 April 2014 to pay extra contributions for membership before 6 April 1988 to count.

The survivor's pension may be less if you entered into a civil partnership or marriage after leaving.

## Help with pension problems

### Who can help me if I have a query or complaint?

If you have a problem or question about your LGPS membership or benefits, please contact Bedfordshire Pension Fund. They will try to put things right and answer any questions as quickly and efficiently as possible. If your query is about your contribution rate, please contact your employer's HR or payroll section so they can explain how they have decided which rate you should pay.

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. There are also a number of other regulatory bodies that may be able to assist you.

### Internal Disputes Resolution Procedure

In the first instance, you should write to the adjudicator appointed by the body who made the decision that you wish to appeal about. 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 pension fund's administering authority to have it reconsidered.

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

### MoneyHelper

MoneyHelper is provided by the Money and Pensions Service.

MoneyHelper provides independent and impartial information about pensions, free of charge, to members of the public. MoneyHelper is available to assist members



## **LGPS member guide | Help with pension problems**

and beneficiaries of the Scheme with any pension query they have or any general requests for information or guidance concerning their pension benefits.

MoneyHelper can be contacted:

In writing: 120 Holborn, London, EC1N 2TD

By telephone: 0800 011 3797

Website: [www.moneyhelper.org.uk/en/pensions-and-retirement/](http://www.moneyhelper.org.uk/en/pensions-and-retirement/)

### **The Pensions Ombudsman (TPO)**

TPO deals only with pension complaints. It can help if you have a complaint or dispute about the administration and / or management of personal and occupational pension schemes. Some examples of the types of complaints it considers are (this list is not exhaustive):

- automatic enrolment
- benefits: including incorrect calculation, failure to pay or late payment
- death benefits
- failure to provide information or act on instructions
- ill health
- interpretation of scheme rules
- misquote or misinformation
- transfers.

You have the right to refer your complaint to TPO free of charge. There is no financial limit on the amount of money that TPO can make a party award you. Its determinations are legally binding on all parties and are enforceable in court.

Contact with TPO about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later, within three years of when you first knew about it (or ought to have known about it). There is a discretion for those time limits to be extended.

## **LGPS member guide | Help with pension problems**

You can contact TPO:

In writing: 10 South Colonnade, Canary Wharf, E14 4PU

Telephone: 0800 917 4487

Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk) (where you can submit an online complaint form).

### **The Pensions Regulator (TPR)**

This is the regulator of work-based pension schemes. TPR 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. If you have a concern about your workplace pension you can contact them:

In writing: Napier House, Trafalgar Place, Brighton, BN1 4DW

By telephone: 0345 600 7060

Website: [www.thepensionsregulator.gov.uk](http://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 and their dependants with pension entitlements 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:

Telephone: 0800 731 0193

Website: [www.gov.uk/find-pension-contact-details](http://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 or other contact details.**

## 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 pension funds' 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**

Assumed pensionable pay is a notional pay figure that employers must calculate when your pensionable pay is reduced because you are absent from work in certain circumstances, such as sickness or child related leave. This notional pay figure is used to make sure your pension benefits build up as if you were at work receiving normal pay.

Assumed pensionable pay is also used to work out:

- any enhancement to your pension awarded as a result of ill health retirement
- any lump sum death grant following death in service, and
- any enhancement which is included in survivor benefits following death in service.

### **Automatic enrolment date**

This is the earlier of:

- the day you reach age 22, provided you are earning more than £10,000 a year in the job, or

## **LGPS member guide | Some terms we use**

- the beginning of the pay period in which you first earn more than £10,000 in the job, on an annualised basis, provided you are aged 22 or more and under State Pension Age at that time.

Earnings are assessed by converting your pay in a pay period to a yearly figure.

### **Automatic enrolment provisions**

Each employer must automatically enrol their workers who are eligible jobholders into a workplace pension scheme unless the employer decides to postpone for a period up to three months. In certain cases, the employer does not have to enrol a person. For example, if the person recently opted out.

Where a person is enrolled into a scheme, the person can choose to opt out. If they do, generally, the employer must automatically re-enrol them back into a scheme at regular intervals, about every three years.

### **Civil partnership (civil partner)**

A civil partnership is a relationship between two people of the same sex or opposite sex which is formed when they register as civil partners of each other.

### **Consumer Prices Index (CPI)**

The Consumer Price Index (CPI) is the official measure of inflation of consumer prices in the United Kingdom. This is currently the measure used to adjust your pension account in the April following the end of every Scheme year when you are an active member of the Scheme. Each April after you have left the Scheme, it is used to adjust the value of your deferred pension or pension in payment. The adjustment ensures your pension keeps up with the cost of living.

### **Eligible children**

Eligible children are your children. At the date of your death they must be your:

- natural child (who must be born within 12 months of your death)
- adopted child, or
- step-child or a child accepted by you as being a member of your family and be dependent on you. This doesn't include a child you sponsor for charity.

Eligible children must be:

## LGPS member guide | Some terms we use

- under age 18, or
- aged between 18 and 23 and in full-time education or vocational training. Your pension fund's administering authority can continue to treat the child as an eligible child notwithstanding a break in full-time education or vocational training, or
- unable to engage in gainful employment because of physical or mental impairment and either:
  - under age 23, or
  - the impairment is, in the opinion of an independent registered medical practitioner, likely to be permanent and the child was dependent on you at the date of your death because of that mental or physical impairment.

### Eligible cohabiting partner

An eligible cohabiting partner is a partner you are living with who, at the date of your death, has met all the following conditions for a continuous period of at least two years:

- 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 nor your cohabiting partner has 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.

Your partner is financially dependent on you if you have the highest income. Financially interdependent means that you rely on your joint finances to support your standard of living. It doesn't mean that you need to be contributing equally. For example, if your partner's income is a lot more than yours, he or she may pay the mortgage and most of the bills, and you may pay for the weekly shopping.

A survivor's pension would be paid to your cohabiting partner if:

## **LGPS member guide | Some terms we use**

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

You are not required to complete a form to nominate your cohabiting partner. However, you can provide Bedfordshire Pension Fund with your cohabiting partner's details. On your death, your LGPS administering authority will require evidence that the conditions for a cohabiting partner's pension are met.

### **Eligible jobholder**

An eligible jobholder is a worker who is aged at least 22 and is under State Pension Age and who earns more than £10,000 a year. Earnings are assessed by converting the pay in the relevant pay period to a yearly figure.

### **Final pay**

This is usually the pay in respect of (ie due for) your final year of Scheme membership on which you paid contributions, or one of the previous two years if this is higher. It includes your normal pay, contractual shift allowance, bonus, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay, Parental Bereavement Pay and any other taxable benefit specified in your contract as being pensionable. It does not include non-contractual overtime.

### **Normal Pension Age**

Normal Pension Age is linked to your State Pension Age for benefits built up from 1 April 2014, with a minimum of age 65. It is the age at which you can take the pension you have built up in full. 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.

You can use the Government's State Pension Age calculator ([www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)) to find out your State Pension Age.

Your State Pension Age may change in the future. If it does, this would also change your Normal Pension Age in the LGPS for benefits built up from 1 April 2014. Once

## **LGPS member guide | Some terms we use**

your LGPS pension is being paid to you, any subsequent change in your State Pension Age will not affect your Normal Pension Age in the LGPS.

If you were paying into the LGPS before 1 April 2014, your final salary benefits retain their protected Normal Pension Age which for most is age 65.

All pension benefits paid on normal retirement must generally be taken at the same time. You cannot choose to have your final salary pension (built up before April 2014) paid at age 65 and your pension in your pension account (built up from April 2014) at your State Pension Age. Different rules may apply if you take flexible retirement.

### **Pension account**

Each Scheme year the amount of pension you have built up during the year is worked out and this amount is added into your active pension account. Adjustments may be made to your account during the Scheme year because of:

- a transfer of pension rights into the account during the year
- additional pension you purchased during the year
- additional pension which is granted to you by your employer
- a reduction due to a Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a civil partnership) and
- a reduction due to an Annual Allowance tax charge that you have asked the Scheme to pay on your behalf.

Your account is revalued in the April following the end of each Scheme year to take account of the cost of living. This adjustment is carried out in line with the Treasury Revaluation Order index which is the rate of the Consumer Prices Index (CPI).

You will have a separate pension account for each employment.

In addition to an active member's pension account there are also:

- a deferred member's pension account
- a deferred refund account
- a retirement pension account

## **LGPS member guide | Some terms we use**

- a flexible retirement pension account
- a deferred pensioner member's account
- a pension credit account and
- a survivor member's account.

These accounts will be adjusted by any debits for any Pension Sharing Order or qualifying agreement in Scotland (following a divorce or dissolution of a civil partnership) and for any Annual Allowance tax charge that you have asked the Scheme to pay on your behalf. These accounts are currently increased each April in line with the Consumer Prices Index (CPI). A deferred refund account will not be adjusted in these ways.

### **Pensionable pay**

The pay on which you normally pay contributions is 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, Parental Bereavement 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
- the monetary value of a car or pay received in lieu of a car (apart from some historical cases).



## **Relevant child related leave**

Relevant child related leave includes periods of:

- Ordinary Maternity or Adoption Leave (normally the first 26 weeks)
- Paid Additional Maternity or Adoption Leave (normally after week 26 and up to week 39)
- Paternity Leave
- Paid Shared Parental Leave or
- Paid parental bereavement leave.

## **Reserve forces service leave**

This occurs when a Reservist is mobilised and called on to take part in military operations. The period of mobilisation can be up to a maximum of 12 months. During a period of reserve forces service leave you will, if you elect to stay in the LGPS during that leave, continue to build up a pension based on your assumed pensionable pay.

## **Scheme year**

The Scheme year runs from 1 April to 31 March.

## **State Pension Age**

This is the earliest age you can receive the basic state pension. State Pension Age for women was increased between 2010 and December 2018 to be equalised with the State Pension Age of 65 that applied to men up to December 2018. The State Pension Age increased to 66 for both men and women between December 2018 and October 2020.

Under current legislation, the State Pension Age is due to rise to 67 between 2026 and 2028 and to 68 between 2044 and 2046. However, the Government has [announced plans](#) to bring forward the rise to 68 to between 2037 and 2039.

## **Vesting Period**

The vesting period in the LGPS is two years. You will meet the two-year vesting period if:

## LGPS member guide | Some terms we use

- you have been a member of the LGPS in England and Wales for two years, or
- you have brought a transfer of pension rights into the LGPS from a different occupational pension scheme or from a European pensions institution and the length of service you had in that scheme or institution was two or more years or, when added to the period of time you have been a member of the LGPS is, in aggregate, two or more years, or
- you have brought a transfer of pension rights into the LGPS from a pension scheme or arrangement where you were not allowed to receive a refund of contributions, or
- you have previously transferred pension rights out of the LGPS to a pension scheme abroad (ie to a qualifying recognised overseas pension scheme), or
- you already hold a deferred benefit or are receiving a pension from the LGPS (other than a survivor's pension or pension credit member's pension), or
- you have paid National Insurance contributions before 6 April 2016 while a member of the LGPS and stop contributing to the LGPS in the year you reach State Pension age or later, or
- you stop contributing to the LGPS at age 75, or
- you die in service.

## **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 2023.

The national website for members of the LGPS is [www.lgpsmember.org](http://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 benefits 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, such as those:

- whose pension benefits increase in any tax year by more than the standard annual allowance (which increased from £40,000 to £60,000 from 6 April 2023) or for high earners, the tapered annual allowance, or
- to whom protected rights apply.

The Government has confirmed that no one will pay a lifetime allowance tax charge from 6 April 2023 and that the lifetime allowance will be abolished completely from April 2024.

You can find out basic information about the lifetime allowance and the annual allowance in the tax section on the national LGPS website.

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:

Bedfordshire Pension Fund, Borough Hall, Cauldwell Street, Bedford MK42 9AP

**Email:** [pensions@bedford.gov.uk](mailto:pensions@bedford.gov.uk)

**Telephone:** 01234 276912

**Website:** [www.bedspensionfund.org](http://www.bedspensionfund.org)

**My Pension Online:** [mypension.bedspensionfund.org](http://mypension.bedspensionfund.org)