

## **LONDON BOROUGH OF HACKNEY PENSION FUND**

# **BENEFITS OF JOINING THE LOCAL GOVERNMENT PENSION SCHEME - LGPS**



**A guide to the benefits of the Local  
Government Pension Scheme (LGPS)**

## Are you saving enough for your future?

### Did you know:

- The LGPS is an important part of your employment package and provides an excellent range of benefits
- You pay your contributions and your employer pays too
- The scheme is flexible - you can choose to pay less or more, and you can draw your benefits anytime from age 55 to 75
- The benefits you get include a pension when you retire as well as immediate life cover and ill-health protection
- There are also benefits for your loved ones with pensions for dependants if you die.

### Let's look at the detail:

#### Cost

The amount you pay depends on how much you are paid in your job or role, and if you have multiple jobs/role each one will be treated separately by your employer. The rates vary from 5.5% to 12.5%, and your contribution rate depends on the band you fall into in the table below. The rates & bandings are from 1 April 2020 for the year 2020/21, the bandings will be increased with inflation each April:

If your actual pensionable pay is:	You pay a contribution rate of:
Up to £14,600	5.5%
£14,601 to £22,800	5.8%
£22,801 to £37,100	6.5%
£37,101 to £46,900	6.8%
£46,901 to £65,600	8.5%
£65,601 to £93,000	9.9%
£93,001 to £109,500	10.5%
£109,501 to £164,200	11.4%
£164,201 or more	12.5%

When you join, and every April afterwards, your employer will decide your appropriate contribution rate from the contributions table. Also if your pay changes throughout the year, your employer may decide to review your contribution rate. The contribution rates and / or pay bands will be reviewed periodically and may change in the future.

## And remember.....

**You get tax relief** on your pension contributions, as your contributions are deducted from your pay before you pay tax. Your employer currently automatically pays the balance of the cost of providing your pension benefits.

**You have flexibility to pay more** - you can boost your pension by paying more contributions which you would get tax relief on. Options include Additional Pension Contributions (APCs) and Additional Voluntary Contributions (AVCs).

**You also have flexibility to pay less** - with the option to pay half your normal contributions in return for half your normal pension, known as 50/50. This is designed to help members stay in the scheme when times are financially tough.

**Benefits at retirement** The LGPS is a great way to save for your future. You build up a pension from the day you join the scheme and once you've been paying in for 2 years your benefits include:

- ✓ **A secure pension** - every scheme year (1 April to 31 March) an amount equal to a 49th of your pay in that year is added to your pension account. At the end of every scheme year the total pension in your account is adjusted to take into account the cost of living (as currently measured by the Consumer Prices Index (CPI)).
- ✓ **Tax-free cash** - you have the option, when you draw your pension, to exchange part of your annual pension for some tax-free cash.
- ✓ **The freedom to choose when to take your pension** - your Normal Pension Age is linked to your State Pension Age, but you do not need to have reached your Normal Pension Age in order to take your pension. You can choose to retire and draw 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. To find out your State Pension Age please visit [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension).
- ✓ **A tiered ill-health retirement package** - if you have to leave work at any age due to permanent ill health, the scheme provides you with a pension, paid straight away, which could be paid at an increased rate if you are unlikely to be capable of gainful employment within 3 years of leaving.

- ✓ **Early payment of your benefits** - if you are made redundant or retired on business efficiency grounds, and you are aged 55 or over.
- ✓ **Flexible retirement** - available from age 55 if you reduce your hours, or move to a less senior position. Provided your employer agrees, you can draw some or all of your benefits, helping you ease into your retirement.
- ✓ **Protection against inflation when you've drawn your pension** - you can look forward to a pension for life that increases with the cost of living.

## You also get peace of mind for you and your family:

- ✓ **Life cover** - from the moment you join the scheme, with a lump sum of 3 years pay being paid if you die in service.
- ✓ **Cover for your family** - with a pension for your spouse, registered civil partner or eligible cohabiting partner, and for eligible children if you die in service or die after leaving with a pension entitlement.

## You may also wish to consider:

**Transferring into the LGPS** - You can also transfer previous pension rights into the scheme. Deferred benefits held in the LGPS in England and Wales can be transferred into your active membership, and you will have 12 months from joining the scheme with your new employer to agree to a transfer. For transfers from other pension schemes, you may be able to transfer and you normally have 12 months from joining to opt to make a transfer.

## If you want to opt out, think about it first:

You can leave the LGPS at any time, once you are a member, by giving your employer notice by completing an opt out form. You might, however, want to take independent financial advice before making the final decision to opt out.

And don't forget you can, as an alternative, opt for 50/50 which allows you to remain in the scheme, building up valuable pension rights, but pay half your normal contributions for half your normal pension – see our factsheet on the 50/50 section of the scheme.

If you still wish to opt out:-

- **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, less any statutory deductions such as tax and NI, any contributions you have paid during that time.

- **with 3 or more months' membership but less than 2 years** you can take a refund of your contributions (less any statutory deductions) or transfer out your pension to another scheme.
- **after 2 years** you will have deferred benefits in the scheme which can, if you want, be transferred out to another scheme.

If you opt-out, you can, provided you are still eligible to join, opt back into the scheme at any time before age 75. However, if you have opted out with 2 years or more pensionable service and then subsequently rejoined the scheme, you will not be able to join your previous, (now deferred), pensionable service with your new active account – these must remain separate as directed by the LGPS regulations.

**NOTE** - if you do decide to opt out of the LGPS, your employer is still required to comply with the automatic enrolment provisions under the Pensions Act 2008, and as such your employer may automatically enrol you into the LGPS at certain times. Your employer must notify you if this happens. You would then have the right to opt out of the LGPS – see the section on **Automatic Enrolment** below.

## To Recap:

- ✓ You have access to a scheme offering secure benefits
- ✓ You pay pension contributions and your employer pays too
- ✓ Your pension is worked out each year with inflation added so it keeps up with the cost of living
- ✓ You have the freedom to choose when to take your pension between age 55 and 75
- ✓ You can exchange part of your annual pension on retirement for a tax-free lump sum
- ✓ You have peace of mind for you and your family with immediate life cover and pensions for dependants.

## How do you join the LGPS?

When you start a job that has a contract of 3 months or more and you are eligible for membership of the LGPS, you will be brought into the scheme from the first day of your employment, this is known as **contractual enrolment**.

You can opt to join the scheme at any time by completing a Joiner Form, and you will be brought into the scheme from the beginning of the pay period after the one in which your contract is extended, or when you opt to join.

If your contract is for less than 3 months but is then extended and you become what is called an 'eligible jobholder', you will be brought into the scheme from that date, this is known as **automatic enrolment**.

## Automatic Enrolment

Automatic enrolment is a Government initiative to help more people save for later life through a pension scheme at work. It requires employers to automatically enrol their eligible workers into a pension scheme. The employer must also pay money into the scheme.

For the purpose of automatic enrolment, workers are put into 3 different categories depending on how much they earn and their age. The categories are **eligible jobholders**, **non-eligible jobholders** and **entitled workers**.

The table below summarises the different categories of worker. Earnings in the table are referred to as a yearly figure, however, your earnings for automatic enrolment will actually be assessed per pay period. This means if you are paid monthly, for example, if you were to earn more than £833.00 in any month (£10,000 divided by 12), you would trigger the earnings limit for automatic enrolment (even if you didn't earn a total of £10,000 over the whole year). In the table, SPA refers to your State Pension Age.

Age	16-21	22-SPA	SPA-75
Earnings under £6,136 a year	Entitled Worker		
Earnings between £6,136 and £10,000 a year	Non Eligible Jobholder		
Earnings over £10,000 per year	Non Eligible Jobholder	Eligible Jobholder	Non Eligible Jobholder

*Earnings quoted above are as at 1 April 2020 – these will be revised each April*

**Note - you can elect to join the LGPS at any time whether you are an eligible jobholder, entitled worker or non-eligible jobholder – the choice is yours!!**

If you are a new employee who is eligible to join the LGPS you will be entered into the scheme when you start i.e. contractually enrolled (if you are under age 75 and have a contract of employment for 3 months or more).

If you then opt out of the scheme at any time, your employer will be required to put you back into the LGPS approximately every 3 years on a set re-enrolment date, if you are an eligible jobholder.



If you were either a non-eligible jobholder or an entitled worker when you opted out of the LGPS your employer will be required to put you into the scheme the first time you become an eligible jobholder.

## Your employer may choose not to automatically enrol you if:

- you opted out of the LGPS within 12 months of the date you are due to be automatically re-enrolled
- you have given notice of your resignation or retirement, or you have been given notice of dismissal
- your employer believes that you hold a lifetime allowance protection, such as Primary, Enhanced or Fixed Protection
- you have received a winding up lump sum in the previous 12 months

## What to expect from your Pension Fund and your Employer

Your **pension fund** has to provide you with certain information by law:-

### Basic information about the scheme

Your pension fund must provide new and prospective members with basic information about the LGPS, such as how benefits are worked out, how member and employer contributions are calculated etc. as soon as possible, but in any event, within 1 month of the date your employer informs your pension fund of your details (such as date of birth and your National Insurance number) or within 2 months of the date you became a member of the scheme.

This information will be sent to your home address as part of a 'welcome pack' by the pension administrators, Equiniti.

### Annual Benefit Statements (ABS)

Your pension fund must issue an annual benefit statement to its members (other than pensioners). The statement must be issued no later than 5 months after the end of the scheme year to which it relates. The scheme year in the LGPS runs from 1 April to 31 March, therefore, your pension fund must issue annual statements to its members by 31 August each year.

This information will be sent to your home address by the pension administrators, Equiniti.

### Material changes to the scheme

Your pension fund must inform you if any material changes are made to the LGPS.

They must give this information to you as soon as possible after the change takes effect, but in any event within 3 months after the change.

This information will either be sent to your home address and/or made available on the website – [www.hackneypension.co.uk](http://www.hackneypension.co.uk)

## Pension Fund Annual Report & Accounts

Your pension fund must prepare and publish an annual report on or before the 1st December after the end of each scheme year. The scheme year in the LGPS runs from 1 April to 31 March. This report will detail the management and financial performance during the year of each of the pension funds maintained by the authority.

This information will be made available on the website – [www.hackneypension.co.uk](http://www.hackneypension.co.uk)

## Funding Strategy Statement (FSS)

Your pension fund must prepare, maintain and publish a written statement setting out its funding strategy.

This information will be made available on the website – [www.hackneypension.co.uk](http://www.hackneypension.co.uk)

## Communication Strategy

You pension fund must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and scheme employers.

This information will be made available on the website – [www.hackneypension.co.uk](http://www.hackneypension.co.uk)

Your **pension fund and employer** must prepare and publish:-

## Discretions Policy

Your employer and pension fund pension have certain powers which enable them to choose how they will apply the scheme in respect of certain provisions. These are called discretions.

Your employer and pension fund are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion. For example your employer must have a written policy on whether they will:

- allow flexible retirement
- award, or pay towards the cost of, additional pension



- waive any reduction to your pension if it is paid early (except for ill health, redundancy & business efficiency retirements where your employer is obliged to meet the cost of paying your pension without a reduction for early payment)
- grant early payment of deferred benefits and whether they will waive any reductions

They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review. You should ask your employer what their policy is in relation to any discretions.

The discretion policy for the administering authority is available on the website – [www.hackneypension.co.uk](http://www.hackneypension.co.uk)

## FURTHER INFORMATION

### London Borough of Hackney Pension Fund team:

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### Pension Administrator – Equiniti

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EQUINITI

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