

WEST MIDLANDS



PENSION FUND

West Midlands Pension Fund

# Short guide



The Local Government Pension Scheme (LGPS)  
in England and Wales

June 2010



# Highlights of the benefits provided by the LGPS are:

- a guaranteed pension based on your final pay
- the option of part of your annual pension being exchanged for a 'one-off' tax-free cash payment
- the ability to increase your pension by paying extra contributions





- voluntary retirement from age 60
- retirement from age 55 with your employer's consent
- an ill-health pension from any age
- redundancy cover from age 55

- a death in service lump-sum of three times your final pay
- a widow's, widower's, civil partner's or nominated partner's pension
- children's pensions
- the index-linking of benefits to ensure that they keep pace with inflation





### **The Scheme**

This 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 2008.

### **What kind of scheme is it?**

The LGPS is a tax-approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The benefits under the Scheme are based on the length of your membership and your final salary. It is very secure because the benefits are set out in law.

### **Who can join?**

The LGPS covers local government and other organisations that have chosen to participate in it. To be able to join the LGPS, you need to have a contract of employment that's for at least three months and be under age 75 – and if you are employed by a designating body, such as town or parish council, or an admitted body, you can only join if your employer nominates you for membership of the Scheme. Police, firefighters and teachers are not allowed to join.

If you are eligible for membership of the Scheme, you will automatically become a member unless you are employed by an admitted body in which case you would have to opt to join. You will have the right not to join the Scheme. An admitted 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.

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

To secure your entitlement to the Scheme benefits, it is important that you complete and return the joining form. On receipt of your form, relevant records will be set up and an official notification of your membership of the LGPS will be sent to you. You should also check your pay slip to make sure that pension contributions are being deducted.

**Can I opt-out of the LGPS and rejoin the LGPS at a later date?**

You can leave the LGPS at any time by giving your employer notice in writing. If you opt-out, you can opt back into the Scheme provided at that time you have a contract of employment that's for at least three months and you are under 75. You may wish to obtain independent financial advice before you make a decision to opt-out of the LGPS.



## What do I pay?

Your contribution rate depends on how much you're paid but it will be between 5.5 and 7.5% of your pensionable pay. The rate you pay depends on which pay band you fall into. The contribution rate for those manual workers who joined the Scheme before 1 April 1998 and were protected to pay contributions at a rate of 5% will be brought into line with all other Scheme members on a phased basis by 1 April 2011.

If you work part-time, your rate will be based on the whole time pay rate for your job, although you will only pay

contributions on the pay you actually earn. Here are the pay bands that apply from April 2010.

The pay band ranges will be increased each April in line with the cost of living.

As a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your pay and you will be contracted-out of the state second pension scheme (S2P). While you are a member of the LGPS you will, prior to state pension age, pay reduced national insurance contributions.

| If your whole-time equivalent pay rate is: | Your contribution rate will be: |
|--|---------------------------------|
| Up to £12,600                              | 5.5%                            |
| £12,601 to £14,700                         | 5.8%                            |
| £14,701 to £18,900                         | 5.9%                            |
| £18,901 to £31,500                         | 6.5%                            |
| £31,501 to £42,000                         | 6.8%                            |
| £42,001 to £78,700                         | 7.2%                            |
| More than £78,700                          | 7.5%                            |

### **Does my employer contribute?**

Your employer 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. Increases or decreases in the cost of providing the Scheme may, in future, need to be shared between members and employers, in accordance with government guidance.

### **Can I pay more to increase my benefits?**

You can pay extra to increase your retirement benefits. You can do this either by paying additional contributions to buy extra LGPS pension, by making payments to the Scheme's additional voluntary contributions (AVC) arrangement, or by making payments to a personal pension, stakeholder pension or freestanding AVC scheme of your own choice.



### **Can I transfer pension benefits into the LGPS?**

Generally speaking, benefits that you have previously accrued in the LGPS or in other pension arrangements can be transferred and will buy membership in the LGPS. An option to transfer must be made within twelve months of joining or such longer period as your employer allows.

# Retirement

To be entitled to LGPS retirement benefits, you have to have at least three months' membership or have transferred other pension rights into the LGPS.

## When can I retire?

You can retire and receive your LGPS benefits in full once you have reached age 65. The Scheme also makes provisions for the early payment of your LGPS benefits.

## What are my retirement benefits?

When you retire, you will receive a pension and have the option to take part of your pension as a tax-free lump-sum. If you joined the LGPS before 1 April 2008, your standard benefit package will include an automatic tax-free lump sum as described in the 'The Benefits' section on page 11.

## Can I retire early?

You can elect to retire and receive your LGPS benefits from age 60 onwards. You may be able to retire and receive your LGPS benefits from age 55, but only if your employer agrees. Employer's consent to draw benefits before age 60 is an employer discretion. Your employer must set out their policy on this in a published statement.





**Are there any penalties for retiring early and drawing immediate benefits?**

If you retire before age 65, your LGPS benefits, initially calculated as set out in 'The Benefits' section on page 11, will be reduced to take account of their early payment and the fact that your pension will be payable for longer. However, if you joined the LGPS before 1 October 2006 and would have at least 21 years' Scheme membership, if you stayed in the Scheme to age 65 you will:

- a) have some protection from the reduction in respect of benefits, you build up in the Scheme up to 31 March 2016 if you will be 60 by then, or
- b) in any other case, have some protection from the reduction in respect of benefits you build up in the Scheme up to 31 March 2008 (and, if you will be 60 between 1 April 2016 and 31 March 2020,

you may have some further protection on a sliding scale in respect of benefits you build up between 1 April 2008 and 31 March 2020 provided your combined age and Scheme membership, both in whole years, would be 85 or more by 31 March 2020).

**What if my employer retires me on grounds of redundancy?**

If you are aged 55 or over you will be entitled to the immediate unreduced payment of your LGPS benefits.

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

If you have to leave work at any age due to permanent ill-health, the Scheme provides a tiered ill-health retirement package. This could give you benefits, paid straight away, and which could be increased if you are unlikely to be capable of gainful employment within three years of leaving.

### **What if I want to have a gradual move into retirement?**

This is known as flexible retirement. From age 55, if you reduce your hours or move to a less senior position, and provided your employer agrees, you can draw some or all the pension benefits you have built up – helping you ease into retirement. If you take flexible retirement before age 65, your benefits may be reduced to take account of their early payment unless your employer agrees to waive the reduction in whole or in part. You can continue paying into the LGPS on your reduced hours or in your new role, building up further benefits in the Scheme. Flexible retirement is at the discretion of your employer and they must set out their policy on this in a published statement.

### **What if I carry on working after age 65?**

If you carry on working after age 65 you will continue to pay into the Scheme, building up further benefits. We will pay your pension when you retire, or when you reach the eve of your 75th birthday, or if you take flexible retirement with your employer's consent, whichever occurs first. If you draw your pension after age 65, it will be increased to reflect the fact that it will be paid for a shorter time. Your pension has to be paid by your 75th birthday.



# The Benefits

## **How much will my pension be?**

Your pension is based on your total membership in the Scheme and the pensionable pay you receive in, normally, your final year of service. If you are part-time, your Scheme membership will count at its part-time length when working out your pension and your final pay is increased to what you would have received had you been full-time. The examples on page 12 show how benefits based on membership in the LGPS built up at any time after 31 March 2008 are calculated. For membership you build up after 31 March 2008, you receive an annual pension based on 1/60th of your final year's pensionable pay.


## **Can I exchange part of my pension as a lump-sum?**

You can exchange part of your annual pension for a one-off tax-free cash payment. You can take up to 25% of the capital value of your pension

benefits as a lump-sum and you will receive £12 lump-sum for each £1 of pension given up, providing the total lump-sum does not exceed £450,000 (2010/11 figure) less the value of any other pension rights you have in payment.

## **If you joined the LGPS before 1 April 2008**

Your benefits for membership before 1 April 2008 are calculated differently. For LGPS membership you have built up to 31 March 2008, you receive an annual pension based on 1/80th of your final year's pensionable pay and an automatic tax-free lump-sum of three times your pension. Like the pension, the automatic lump-sum is based on your LGPS membership before 1 April 2008 and your final year's pensionable pay. You can also exchange part of your pre-April 2008 pension for extra lump-sum as described above.



Example of pension and  
lump-sum option calculation  
for membership after  
31 March 2008

**On retirement at age 65, a Scheme member has 20 years' total membership and has a final pay of £15,000:**

Their **annual pension** is:  $20 \text{ years} \times 1/60 \times £15,000 = \mathbf{£5,000}$

If they decide to give up £1,000 pension for a cash lump-sum, then:

Their **reduced annual pension** is:  $£5,000 \text{ less } £1,000 = \mathbf{£4,000}$

And they will get a tax-free lump-sum of:  $£1,000 \times 12 = \mathbf{£12,000}$

**If the same employee had worked half time (20 years at half-time = 10):**

Their **annual pension** would be:  $10 \text{ years} \times 1/60 \times £15,000 = \mathbf{£2,500}$

If they decide to give up £500 pension for a cash lump-sum, then:

Their **reduced annual pension** is:  $£2,500 \text{ less } £500 = \mathbf{£2,000}$

And they would get a tax-free lump-sum of:  $£500 \times 12 = \mathbf{£6,000}$

### **Taking AVCs as cash**

If you pay AVCs via the LGPS, you may elect to take up to 100% of the accumulated fund in your AVC account as a tax-free lump-sum if you draw it at the same time as your LGPS pension benefits, provided when added to the LGPS lump-sum it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund). The total lump-sum should not exceed £450,000 (2010/11 figure) less the value of any other pension rights you have in payment.

### **What pay is used to calculate retirement benefits?**

Your retirement benefits will normally be calculated on your final year's pensionable pay (if you're part-time, your final pay is increased to what you would have received had you been full-time). However, your benefits can be calculated on one of the two previous years' pay if better and, if you downgrade in your last 10 years or your pay is restricted in that period, you have the option to have your

benefits based on the average of any three consecutive years in the last ten years (ending on a 31 March).

### **Will my pension increase?**

The LGPS provides statutory pension increases. This means that if you retire on or after age 55, your pension will be increased each year in line with the retail prices index (RPI). Ill-health pensions are increased each year in line with the RPI regardless of age.



# Protection for Your Family

## What benefits will be paid if I die?

If you die in service as a member of the LGPS, the benefits shown below are payable:

- A widow's, widower's, civil partner's or, subject to the certain qualifying conditions, a nominated cohabiting partner's pension equal to 1/160th of your final pay times the total membership you would have built up in the LGPS to age 65. A civil partnership is a relationship between two people of the same sex ('civil partners') which is formed when they register as civil partners of each other. However, civil partner's and nominated cohabiting partner's pensions will be less than this if you have membership in the Scheme before 6 April 1988.
- Pensions for eligible children.
- A lump-sum death grant of three years' pay. If you are part-time, it's three years' part-time pay.



If you die after retiring on pension, a widow's, widower's, civil partner's or, subject to the certain qualifying conditions, a nominated cohabiting partner's pension and pensions for eligible children are payable.

A widow's and widower's pension is equal to 1/160th of your final pay times the total membership your pension is based on unless you marry after retirement, in which case it could be less.

A civil partner's and nominated partner's pension is equal to 1/160th of your final pay times your membership in the Scheme after 5 April 1988. A death grant is payable if less than 10 years pension has been paid and you are under age 75 at the date of death, in which case the balance of ten years of pension is paid as a lump-sum.

To nominate a cohabiting partner, your relationship has to meet certain conditions laid down by the LGPS.

If you wish to make a nomination, you can obtain a form from the Fund. The LGPS allows you to say who you would like any death grant to be paid to by completing a form. This form is also available from the Fund.

The Scheme's administering authority, however, retains absolute discretion when deciding who to pay any death grant to.

You can find out how to contact the Fund on the back cover of this guide.



# Leavers Without an Immediate Entitlement to Benefits

## **Refunds of contributions**

If you leave with less than three months' total membership, have not brought a transfer into the LGPS and have no other LGPS pension rights in England or Wales, you may take a refund of your contributions, less any deductions for tax and the cost of buying you back into the S2P.

## **Deferred benefits**

If you leave before age 65 and your total membership is three months or more or you have transferred other pension rights into the LGPS, or you already have a deferred benefit in the LGPS in England or Wales, you will be entitled to deferred benefits within the LGPS. Your deferred LGPS benefits will be calculated as described in 'The Benefits' on page 11, using the length of your membership up to the date that you left the Scheme.

Unless you decide to transfer your deferred benefits to another pension scheme, they will normally be paid at age 65 (unless you elect to defer drawing them till later), but they may be put into payment earlier, and in full, in the event of permanent ill-health if you are unlikely to be capable of gainful employment within three years of applying for the benefit or, if earlier, before age 65. You can, if you wish, elect to receive your deferred benefits early from age 60 onwards. You may be able to elect to receive your deferred benefits from age 55, but only if your former employer agrees. You must have your former employer's consent to draw your benefits before age 60.





Benefits paid early, other than on the grounds of permanent ill-health, will be reduced to take account of their early payment and the fact that your pension will be paid for longer.

If you die before your deferred benefits come into payment, a lump-sum death grant equal to five years' pension will be paid. The LGPS allows you to say who you would like any death grant to be paid to by completing a form. This form is available from the Fund. The Scheme's administering authority, however, retains absolute discretion when deciding who to pay any death grant to.

A widow's, widower's, civil partner's or, subject to the certain qualifying conditions, a nominated cohabiting partner's pension and pensions for eligible children will also be payable. A widow's and widower's pension is equal to 1/160th of your final pay times the total membership your deferred pension is based on unless you marry after leaving in which case it could be less. A civil partner's and nominated partner's pension is equal to 1/160th of your final pay times your membership in the scheme after 5 April 1988. To nominate a cohabiting partner, your relationship has to meet

certain conditions laid down by the LGPS. If you wish to make a nomination, you can obtain a form from the Fund. You can find out how to contact the Fund on the back cover of this guide.

### **Transferring your benefits**

If you leave the Scheme at least one year before age 65 and you are entitled to deferred benefits, you may transfer the cash equivalent of your pension benefits into a new employer's scheme (if they are willing and able to accept it), into a personal or stakeholder pension scheme, or into a 'buy-out' insurance policy.

The method of valuing the cash equivalent of your pension rights complies with the requirements of the Pension Schemes Act 1993, and any value quoted is guaranteed for three months.

Alternatively, if you return to employment with an employer participating in the LGPS, then you may elect for the pension rights that you have built up to be added to your new period of membership in the Scheme. Such an election must be made within twelve months of rejoining the Scheme or such longer period as your employer allows.



# 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 the Fund at the address shown on the back page of this short guide. They will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.

If you are still dissatisfied with any decision made in relation to the Scheme, you have the right to have your complaint independently reviewed under the internal disputes resolution procedure (IDRP) 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 detailed as follows.

## **Internal disputes resolution procedure (IDRP)**

In the first instance, you should write to the person nominated 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 about which you are complaining.

The nominated person will consider your complaint and notify you of his/her decision. If you are dissatisfied with that person's decision, you may, within six months of the date of the decision, apply to the Scheme's administering authority to have it reconsidered.

**Information explaining the IDRP in detail is available on request from the Fund.**

### **The Pensions Advisory Service (TPAS)**

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with any pensions query they may have or any difficulty which they cannot resolve with their Scheme administrators.

TPAS can be contacted at:

11 Belgrave Road

London

SW1V 1RB

Telephone: 0845 601 2923

### **Pensions Ombudsman**

In cases where a complaint or dispute cannot be resolved after the intervention of TPAS, an application can be made, within three years of the event, to the Pensions Ombudsman for an adjudication. The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to the appropriate court on a point of law). Matters where legal proceedings have already started cannot be investigated.

The Pensions Ombudsman can be contacted at:

11 Belgrave Road

London

SW1V 1RB

Telephone: 0207 834 9144

### **The Pensions Regulator**

From April 2005, the Pensions Regulator replaces the Occupational Pensions Regulatory Authority (OPRA) as the regulator of work-based pension schemes. The Pensions Regulator 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.

You can contact the Pensions Regulator at:

Napier House

Trafalgar Place

Brighton

BN1 4DW

Telephone: 0870 606 3636

### **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 employers. All occupational and personal pension schemes have to register if the pension scheme has current members contributing into their scheme or people expecting benefits from the scheme.

If you need to use this tracing service please write to:

The Pension Tracing Service  
The Pension Service  
Tyneview Park  
Whitley Road  
Newcastle upon Tyne  
NE98 1BA  
Telephone: 0845 600 2537

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

## **Further Information and Disclaimer**

This short guide cannot cover every personal circumstance and does not cover rights that apply to a limited number of employees, for example, those whose total pension benefits exceed the lifetime allowance (£1.8 million in 2010/11), or whose pension benefits increase in any tax year by more than the annual allowance (£255,000 in 2010/11), those to whom protected rights apply, or those whose rights are subject to a pension sharing order following divorce or dissolution of a civil partnership. 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.

# Notes

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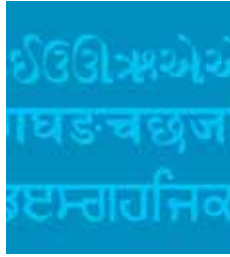
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Information produced by the Fund can be made available in several formats including large sight text, Braille and several community languages. If you have any special requirements or would like to speak face to face with a member of staff, please contact us to arrange how we may best meet your needs.

Please remember that special requirements may take a little longer than normal to organise, but you have our assurance that we will do our best to ensure you receive the information in the most appropriate and efficient manner possible.

## Data Protection

To protect any personal information held on computer, West Midlands Pension Fund is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact the Fund's Data Protection Officer on (01902) 554498, via email at [dataprotection@wolverhampton.gov.uk](mailto:dataprotection@wolverhampton.gov.uk)

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.



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# Contact information

## Write to us at:

West Midlands Pension Fund  
PO Box 3948  
Wolverhampton  
WV1 1XP

## Visit our website at:

[wmpfonline.com](http://wmpfonline.com)

## Email us on:

[PensionFundEnquiries@wolverhampton.gov.uk](mailto:PensionFundEnquiries@wolverhampton.gov.uk)

## Telephone our Helpdesk on:

**0300 111 1665**

## Send us a text on:

Text WMPF + your message to 60066.  
Standard short code network charges apply.

## Fax us on:

**0845 230 1565**

Lines are open during the following times:  
8:30am to 5.00pm Monday-Thursday  
8:30am to 4.30pm Friday

## Minicom/Typetalk:

**01902 554607**

Calls may be monitored for training purposes

Visits can be made to the Fund's offices on the  
5th Floor, Mander House, Wolverhampton  
Monday - Thursday 8.30am - 5.00pm  
Friday 8.30am - 4.30pm

