

WEST MIDLANDS



PENSION FUND

West Midlands Pension Fund

opting out



This leaflet provides information about opting out of the Local Government Pension Scheme (LGPS) before ceasing your current employment.



It may be that you have taken this decision before you started work, or that you have reached this decision after being a member for a while, but we ask that you give this matter your attention for a few moments by reading the enclosed information. No one, least of all the Fund or your employer, will force you to join the Scheme but if you elect not to be a member, you should understand the implications for you and your dependants.



There are many reasons people give for not joining...

- I'm not paid enough.
- My 'other half' will look after me.
- It's not safe enough.
- I've found a better deal elsewhere.
- It's too far away to worry me.

...and as administrators of one of the largest public sector pension funds in the UK, we've listened to these and many other concerns.

Despite recent press speculation with regards to the funding of the LGPS or the way in which the benefits are calculated and at what age, the LGPS remains one of the best occupational schemes in the UK.



Your employer contributes to the Scheme and this alone could be worth up to twice the amount that you pay into it.

If you choose not to be a member, your employer cannot pay into any other type of arrangement in preference to the LGPS. If you opt-out you'll lose out on your employer's pension contribution.

Even though you could take out a personal pension plan in preference to membership of the LGPS, it is very unlikely that the benefits from such a plan will be as good as the quality benefits provided by the LGPS. If you are opting out of LGPS membership due to advice you have received, you should ask for this advice in writing.

The LGPS is one of the best occupational pension schemes in the UK and, by being a member, you will enjoy the complete range of secure quality benefits.

While a member of the Scheme, your benefits will continue to grow as your membership and earnings increase. We'll issue you with an annual statement which will provide details of the benefits you have accumulated to date. You'll also have the facility to increase your benefits by increasing your contributions (contact us for more details). As and when you leave the Scheme, it is the membership that you have accrued that will determine the range of benefits to which you are entitled.



Benefits of LGPS membership



- A pension based on your final pay
- Option to exchange part of your pension for a tax-free lump-sum paid on retirement
- 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 cohabiting partner's pension
- Children's pensions
- The ability to increase your benefits by paying extra contributions, including AVCs
- The index-linking of benefits to ensure that they keep pace with inflation

Leaving the Scheme with less than three months' membership

A refund of your contributions is payable if you have less than three months in the Scheme, and you are not ceasing membership on or after the start of the tax year during which you attain state pension age. A refund is not payable if you re-enter the LGPS before claiming a refund to which you were eligible.

A refund is not available if your membership includes a transfer from another pension scheme. Refunds are not permitted if you have another period of LGPS membership that entitles you to deferred benefits or if you are in receipt of an LGPS pension from an earlier period of employment. You cannot claim a refund if you have any other periods of LGPS membership.



A refund of contributions is subject to the following deductions:

- a) An amount equal to your share of a statutory payment known as a contributions equivalent premium (CEP), which must be paid to the Department for Work and Pensions (DWP) to secure the preservation of your pension rights in the state second pension (S2P), formerly known as state earnings-related pension scheme (SERPS). This deduction doesn't apply for women who have been paying reduced 'E' rate national insurance contributions, and
- b) a tax deduction currently equal to 20% of the remaining balance, after the deduction of any CEP.

If you do not wish to take a refund of your contributions you can consider transferring your LGPS pension rights. If you are at present uncertain as to whether you will transfer your pension rights or receive a refund you must let us know within 12 months of opting out that you wish to defer your decision. If, ultimately, you do not rejoin the Scheme or you do not elect to transfer your accrued pension rights, your only option is to receive a refund of your contributions.

Leaving the Scheme with three months' or more membership

Deferred benefits

If you have at least three months' membership in the LGPS you will be pleased to know that you qualify for deferred benefits; which means that you have the right to be paid benefits when you reach normal retirement age. Deferred benefits consist of a yearly pension (which is fully index-linked to protect its value against price inflation). If you have membership prior to 1 April 2008, then you are entitled to an annual pension and tax-free lump-sum.

Note: A refund of contributions is no longer payable.

Payment of deferred benefits

Your pension normally becomes payable after leaving your job when you attain age 65; however, you can choose to defer benefits until age 75.

Pension increases

All benefits are fully index-linked both before and after they have been brought into payment. Increases are made in line with the retail prices index (RPI), and are not limited to a maximum of 5% as in many other pension schemes.

Early payment of benefits

Benefits can be paid from age 55, subject to your employer's consent.

If you were paying into the LGPS on 31 March 2008, you may have a protected earlier retirement age when you can request early payment of your deferred benefits.

Please refer to an *All About Your Scheme* booklet for further details as benefits may be reduced if you elect to receive them prior to age 65.

Benefits payable – how your pension is calculated

Your annual pension is calculated like this:

$$\frac{1}{60} \times \text{Final pensionable pay} \times \text{Period of membership} = \text{Yearly pension}$$



Benefits not subject to a reduction may be payable (at any age) if you become permanently ill, and the illness prevents or would have prevented you from continuing with your local government employment. In these circumstances you should apply to your former employer who may authorise the early payment of your deferred benefits.

Unreduced benefits can also be paid early on compassionate grounds from age 55. Applications must again be made to your former employer, not the Fund.

Dependant's benefits

Should you die before your deferred benefits come into payment, the death grant payable is five times your annual deferred pension.

A pension will also be payable to your spouse, civil partner or nominated cohabiting partner in appropriate circumstances. You should ensure that you have completed and updated, as appropriate, any nomination form issued to you.

Transfer of pension rights

Personal pension plans/section 32 buy-out bonds/stakeholder pensions

If you are interested in transferring the value of your accrued pension rights to another occupational pension scheme (outside of local government), to a personal pension plan, to a stakeholder pension scheme or to a buy-out insurance

policy you can ask for a transfer value quotation to be provided (known as the 'cash equivalent' transfer value). Under provisions introduced by the Pensions Act 1995, a quotation must be guaranteed for a period of three months from the date on which it was calculated (the 'guarantee date').



WARNING:

A personal pension representative must have an extremely good reason before recommending that anyone should take out a personal pension plan and/or transfer their accrued pension rights, in preference to the quality benefits that could be provided as a member of the LGPS.

Unfortunately, during recent years, many members have received wrong advice about leaving the Scheme. This may have resulted in the misselling of a personal pension plan.

Most financial advisers/sales representatives earn commission for the pension products they sell. Any commission payable is offset against your plan, ie, you pay for it. You should ask any adviser that produces information for you to confirm these details, if appropriate. The money you put into these plans is often invested in the stock market, so the value of your investment can go down as well as up.

The amount of pension payable from these plans cannot be determined until the day you retire, and that will

be of little use to you if the stock market crashes on the same day. Unlike the LGPS, there are no guarantees.

Also, insurance companies, banks, building societies, etc, will charge administration costs, policy fees and other expenses to your plan.

The costs of administering the LGPS are met by your employer, so taking out a personal pension plan may end up costing you more.

You will have no legal redress on Wolverhampton City Council or your former employer if your personal pension plan or section 32 buy-out bond does not match your expectations.

Further options

If you cease your current employment, further transfer options become available. For instance, you may transfer your accrued pension rights to another LGPS fund or to another employer's pension scheme.

Transfer information

If you require any further information about transferring your accrued LGPS rights, please contact our helpdesk on **0300 111 1665**. We will be pleased to assist you in any way we can.



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, Wolverhampton City Council 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 City Council's Data Protection Officer on (01902) 554498, via e-mail at 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

Email us on:

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

Help and information

Further information

We will ensure that all of our members are provided with relevant further information on request.

Comments and complaints

We welcome and value your comments on the standards of service we provide. If you have any comments you wish to make please contact us at the address shown at the top of the page.

We would also like to hear from you if you are not satisfied with the way you have been treated. If you wish, you can

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speak to Brian Bailey, Director of Pensions, on his personal number (01902) 552020 on any weekday between 9.00 and 9.30am or via email:

brian.bailey@wolverhampton.gov.uk

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If you wish to make a formal complaint, you can write to:

Complaints and Compliments

Office of the Chief Executive
Civic Centre

St. Peter's Square

Wolverhampton

WV1 1NX