
PENSION



lgps **AWARENESS WEEK**
9 - 13 SEPTEMBER 2024

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What is the LGPS?

- A pension is a great way to save for retirement, and a public sector pension like the LGPS is one of the best.
- It is a way of saving for retirement that will pay you an income for life after you have finished working.



- Pensions come in many shapes and sizes. In this publication, we'll be looking at the unique features and benefits of the LGPS.

What is the LGPS?



- The LGPS regulations are nationwide and made in Acts of Parliament
- 86 funds across England and Wales administer the Scheme locally
- Nottinghamshire Pension Fund is administered by Nottinghamshire County Council

What is the LGPS?



- One of the largest pension schemes in the UK
- 2 million people paying into the scheme
- 1.9 million people being paid a pension
- 2.4 million have a pension they have not yet taken
- Individuals have a separate pension account for each LG employment.

What is the LGPS?



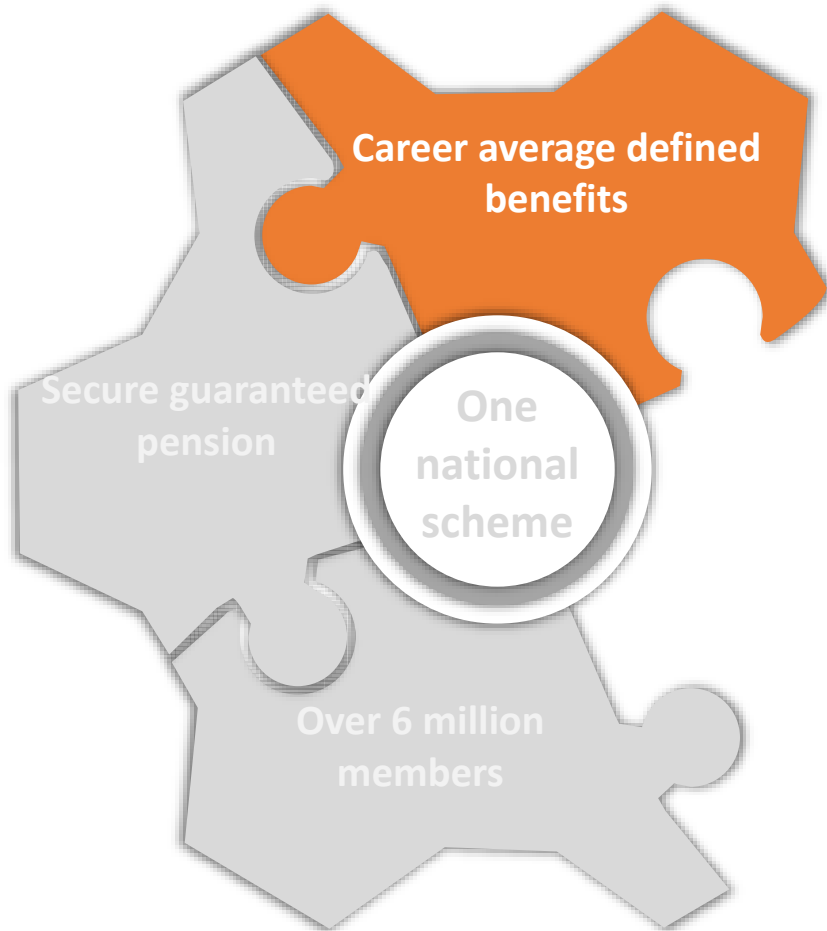
- Your pension builds up each year based on your pensionable pay
 - **not like** many schemes which are defined contribution schemes meaning you build up benefits based on how much you pay in
- Your pension is guaranteed by law and not linked to investment markets
 - Therefore, there's no investment risk associated with your core pension savings
 - The national rules and regulations of the scheme guarantee that the pension you build up will be paid to you, whatever happens i.e. stock market crashes etc

What is the LGPS?



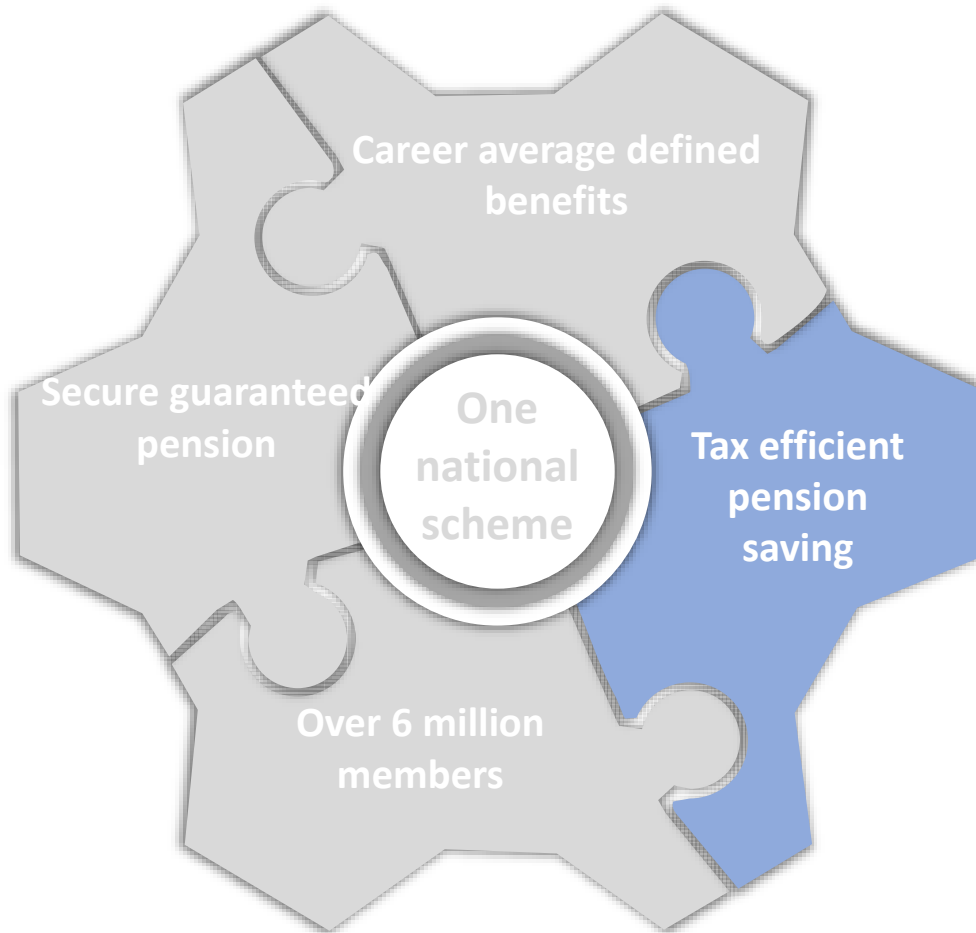
- Both you and your employer contribute towards the cost of your pension
 - Both you and your employer pay into the local fund – these contributions do not relate to your benefits; they are how the Scheme is paid for (along with investment growth)

What is the LGPS?



- Your pension builds up on a Career Average basis
 - Members who paid in before 01/04/2014, also build up final salary benefits.
- Each year 1/49th of your pensionable pay is added to your pension account and increased annually for the cost of living
- Your pension at retirement is the amount in your pension account plus all the yearly increases

What is the LGPS?



- The LGPS is a great way to save for retirement
- You receive tax relief on the contributions you pay
- You can choose to take a tax-free lump sum when you retire

Protection for you and your family



Death grant of three times your pay if you die as an active member

[Death Grant Nomination | Nottinghamshire Pension Fund \(nottspf.org.uk\)](https://www.nottspf.org.uk)



A pension paid for life to your spouse / civil partner / cohabiting partner and Pensions for eligible children



Ill health retirement at any age

What does it cost?

Your contributions are based on your pay. Contribution bands are updated every April

Pensionable pay	Contribution rate
Up to £17,600	5.5%
£17,601 - £27,600	5.8%
£27,601 - £44,900	6.5%
£44,901 - £56,800	6.8%
£56,801 - £79,700	8.5%
£79,701 – £112,900	9.9%
£112,901 - £133,100	10.5%
£133,101 - £199,700	11.4%
£199,701 or more	12.5%



If you earn enough to pay tax, you will get tax relief on your LGPS contributions. If you are a basic rate tax-payer, £1 in contributions will cost you 80p

What does it cost?

For example;

Sam earns £30,000 a year, so has a contribution rate of 6.5%.

The monthly cost to Sam would be £162.50, but with tax relief the net cost is **£130**.

Pensionable pay	Contribution rate
Up to £17,600	5.5%
£17,601 - £27,600	5.8%
£27,601 - £44,900	6.5%
£44,901 - £56,800	6.8%
£56,801 - £79,700	8.5%
£79,701 – £112,900	9.9%
£112,901 - £133,100	10.5%
£133,101 - £199,700	11.4%
£199,701 or more	12.5%



Your employer meets the rest of the cost of providing your pension. The long-term funding aim of the scheme is for members to pay one third of the cost, with employers paying two thirds.

Did you know...

In times of financial hardship, you can join the 50/50 section of the scheme

- The 50/50 section allows members to stay in the LGPS when in the past they may have opted out to save money.
- In the 50/50 section you pay half your normal contributions and build up half the benefits you would have built up in the main section of the Scheme.
- Joining the 50/50 section does not change the benefits paid to your dependants when you die.
- In this example we see the benefits Howard builds up in the main section compared to the 50/50 section.



Did you know...

Howard's salary £24,500

Main Scheme

Contribution rate 5.8%

Yearly pension build up £500

Death in service lump sum £73,500

50/50 Scheme

Contribution rate 2.9%

Yearly pension build up £250

Death in service lump sum £73,500

Joining the 50/50 section reduces Howard's contribution rate and his pension build-up. But the death in service lump sum stays the same at three times

Howard's annual pay - £73,500

Did you know...

- You will have to let your employer know in writing if you want to join the 50/50 scheme. [Paying Less \(50:50\) or Paying More \(APC's/AVC's\) | Nottinghamshire Pension Fund \(nottspf.org.uk\)](#)
- The 50/50 section is only a short-term option.
- Employers must move members in the 50/50 section back into the main scheme every 3 years - tied into the employer's pension auto-enrolment cycle
- However, you can elect to join the 50/50 section again.



Thinking of paying extra?

Additional Pension Contributions (APCs)

- APCs are extra contributions to buy extra annual pension
- APCs taken directly from your pay
- Extra pension is paid with your LGPS pension
- APC calculator

www.lgpsmember.org/help-and-support/tools-and-calculators/buy-extra-pension-calculator/

Additional Voluntary Contributions (AVCs)

- AVCs are taken from your pay and transferred to your own personal account

[In-House Additional Voluntary Contributions \(AVC's\)](#)
[Nottinghamshire Pension Fund \(nottspf.org.uk\)](http://nottspf.org.uk)

- Use AVCs to purchase extra annual pension from the LGPS or another provider, or take up to 100% of AVCs as tax-free lump sum

Additional Pension Contributions (APCs)

- Pay monthly or make a one-off lump sum payment
- Cost depends on how much extra pension you want to buy, your age and how you spread payments
- Increases/decreases in line with inflation
- No investment opportunity
- No option to buy additional survivor's pension or benefits

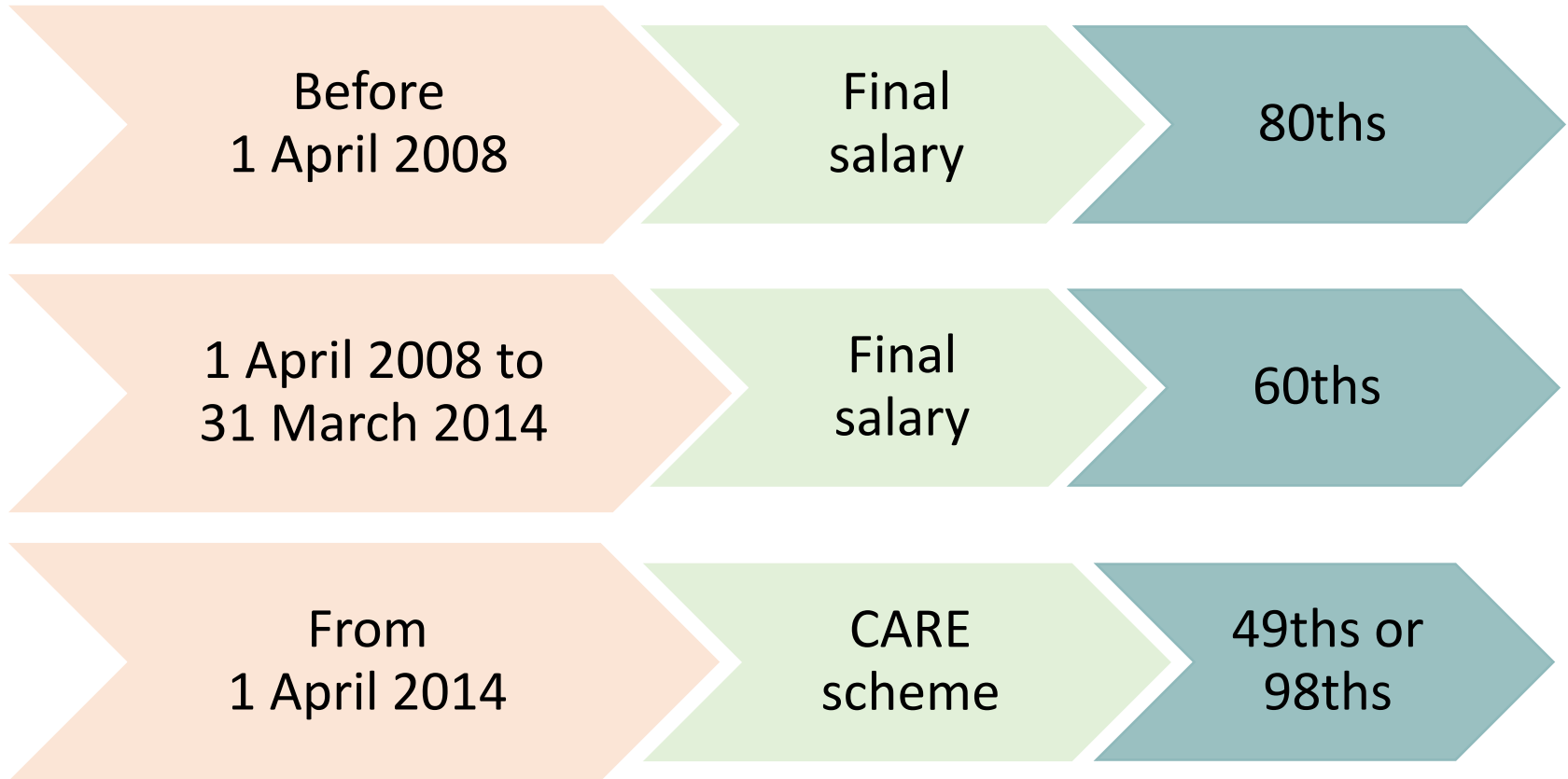
[Paying Less \(50:50\) or Paying More \(APC's/AVC's\) | Nottinghamshire Pension Fund \(nottspf.org.uk\)](#)



Additional Voluntary Contributions (AVCs)

- You decide how much you pay
- You can change the amount at any time
- You decide where to invest your money – review your choices regularly
- AVCs will increase/decrease in line with investment performance
- Option to increase survivor's pension or life cover

Working out your pension



Working out your pension

Final salary pension scheme up to 1 April 2014.

- For each year before 1 April 2008, you get a yearly pension of 1/80th of your final pay, plus a lump sum of 3 times your pension.
- If you work part time, final pay is the full-time equivalent pay for your job.
- For each year 1 April 2008 to 31 March 2014, you get a yearly pension of 1/60th of your final pay
- NPA for final salary benefits is generally 65.

Career average revalued earnings (CARE) scheme from 1 April 2014

- Each Scheme year (starts 1 April), 1/49th of your pay is added to your pension account – revalued with inflation
- 1/98th if you were in 50/50 section
- NPA for CARE benefits is your State Pension Age

The McCloud Remedy

The LGPS rules changed from 1 October 2023 because of the McCloud remedy. The changes are backdated to 1 April 2014, when the career average scheme started. If you qualify for underpin protection, you will be protected even if you have already left the LGPS or taken your pension.

The [LGPS Member website](#) provides all the information required to understand the remedy and they have produced a short video for you to watch, and you can see if you are affected with their online tool.

Leaving the LGPS

Leave your pension in the LGPS until you choose to take it

Transfer your benefits to another pension arrangement



Combine your pension benefits with a new LGPS pension account

Take a refund of contributions

Prepare, but be aware...

Beware of pension scams

- Reject unexpected offers
 - Cold calls about pensions are illegal
- Check who you're dealing with
 - [Financial Services Register](#)
 - Financial Conduct Authority: 0800 111 6768
 - [FCA Warning List](#)
- Don't be rushed or pressured
- Get impartial information or advice



Thinking of retiring?

- You can choose to retire at any time between age 55 and 75
- You need at least two years' membership to qualify for a pension
- And you must have left your job
- Exception – if you reach age 75 as an active member. Pension paid straight away even if you stay in employment and /or you have been a member for less than two years

- You must take your whole LGPS pension.
- If you joined before 1 April 2014, you can't take your final salary benefits and take your CARE benefits later.

Thinking of retiring?

Normal Pension Age

- State Pension age (or 65 if later)
- No employer consent needed

Early Retirement

- Between age 55 and Normal Pension Age
- Minimum age 57 from 6 April 2028
- Pension reduced for taking it earlier than normal retirement age
- No employer consent needed

Late retirement

- No later than age 75
- Pension increased for taking it after Normal Pension Age
- No employer consent needed

Early payment

- These are the reductions for each full year
- Actual reduction based on exact number of years and days early.
- You will only have an automatic lump sum if you joined before 1 April 2008
- Final salary benefits can be paid without reduction earlier than CARE benefits (age 65 instead of State Pension Age). The Rule of 85 means that some members' pre 1 April 2008 benefits can be paid earlier.
- You may have 2 or 3 different Normal Pension Ages and so 2 or 3 different % reductions will apply to different parts of your pension

Years early	Annual pension reduction	Automatic lump sum reduction
0	0%	0%
1	4.9%	1.7%
2	9.3%	3.3%
3	13.5%	4.9%
4	17.4%	6.5%
5	20.9%	8.1%
6	24.3%	9.6%
7	27.4%	11.1%
8	30.3%	12.6%
9	33.0%	14.1%
10	35.6%	15.5%
11	39.5%	Does not apply
12	41.8%	Does not apply
13	43.9%	Does not apply

Rule of 85 protects benefits built up before 01/04/2008

Reduction factors are regularly reviewed

Flexible retirement from age 55

- Employer policy and consent needed
- Reduce hours or grade of job
- Pension benefits reduced if taken earlier than Normal Pension Age
- Rule of 85 will be taken into account (if you are protected and under age 65)
- Take some or all of the pension already built up and continue to build up a second pension in the reduced pay/hours post

Redundancy / Efficiency of the service from age 55 (age 57 from April 2028)

- Pension paid immediately and **unreduced**
- Based on benefits you have built up to retirement date
- No option to defer payment, transfer to a different scheme or combine your benefits if you re-join the LGPS
- Previous Government planned to restrict exit costs in the public sector
- Rules could change if current Government adopts the policy



Ill health retirement – any age

Based on the opinion of an independent doctor, your employer determines if:

- You are permanently incapable of discharging efficiently the duties of employment that you currently have, **and**
- You are not immediately capable of undertaking gainful employment

‘Gainful employment’ is paid employment for 30 hours a week for a year

Ill health retirement

Tier 1

- Unlikely to be capable of gainful employment before Normal Pension Age
- Pension paid with no reduction
- Pension enhanced – based on period to Normal Pension Age

Tier 2


- Unlikely to be capable of gainful employment within three years of leaving, but likely to be able before Normal Pension Age
- Pension paid with no reduction
- Pension enhanced - 25% of tier 1 award

Tier 3

- Likely to be capable of gainful employment within three years of leaving
- Pension paid with no reduction, but not enhanced
- Paid for a maximum of three years, employer review after 18 months

Thought about taking a lump sum?

At retirement, you can turn some of your annual pension into lump sum:

- £1 annual pension turns into  £12 tax-free cash
- You cannot turn your whole pension into a tax-free lump sum
- You can generally take up to 25% of the value of your pension as tax-free cash
- Lump sum calculator

www.lgpsmember.org/help-and-support/tools-and-calculators/lump-sum-calculator/

What is an Annual Benefit Statement (ABS) and what should I do with it?

A yearly statement that shows you:

- 1** The LGPS pension benefits that you have built up at 31 March
- 2** An estimate of the pension benefits you might receive if you retire at your Normal Pension Age



What
should I do
with my
statement?



Check that your pay, employment and personal details are correct.

The figures in your statement are based on what has been provided by your employer, Please contact your employer if you think the pay information is incorrect



Review your forecast of where you are likely to be at your Normal Pension Age. Remember, this does not include any other pension benefits you may be entitled to.



Use your ABS as a springboard for future retirement planning

Useful links

National LGPS member website	www.lgpsmember.org Calculators, videos, FAQs, general information about the scheme
Notts Pension Fund website	Nottinghamshire Pension Fund Nottinghamshire Pension Fund (nottspf.org.uk)
Contact us	Email: lgpensions@nottsc.gov.uk Phone: 0115 977 2727 Write to: Notts LG Pensions Office, Business Services Centre, Nottinghamshire County Council c/o County Hall, West Bridgford, Nottingham NG2 7QP