



Merseyside
PENSION FUND

A Brief Guide to the

Local Government Pension Scheme (LGPS)





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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 of at least 3 months and be under age 75 and if you are employed by a designating body, such as Town or Parish Council, or an admitted body¹, 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 body¹ in which case you would have to opt to join. You have the right not to join the Scheme.

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 Membership form (LGP2) to your employer's payroll section.

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 payslip to make sure that pension contributions are being deducted.

Can I opt-out of the LGPS and re-join 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 of 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.

¹ 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.

What do I pay?

Your contribution rate depends on how much you are 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 into¹.

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 pensionable pay you actually earn.

**Here are the
Whole-time
Earnings Bands
and corresponding
Contribution Rates
for 2009/10**

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).


Whilst you are a member of the LGPS you will, prior to State Pension Age, pay reduced National Insurance contributions.

For future years, the corresponding amounts represented by rows A-G in the table below will be available at our website:

www.merseysidepensionfund.org.uk or on Fund promotional leaflets, issues of 'beeline' and posters on staff notice boards.

| Earnings Band | Rate |
|--------------------------------|-------------|
| A Up to £12,600 | 5.5% |
| B £12,600.01 to £14,700 | 5.8% |
| C £14,700.01 to 18,900 | 5.9% |
| D £18,900.01 to £31,500 | 6.5% |
| E £31,500.01 to £42,000 | 6.8% |
| F £42,000.01 to £78,700 | 7.2% |
| G Over £78,700 | 7.5% |

¹ 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.



**Your employer
pays the balance of
the cost of providing
your benefits in
the LGPS.**

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 Scheme¹.

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 Regular Contributions (ARCs) to buy extra LGPS pension or by making payments to the Fund's (In-house) Additional Voluntary Contributions (AVC) arrangement, or by making payments to a personal pension, stakeholder pension or Free-standing 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.

I already receive an LGPS pension – will it be affected if I rejoin?

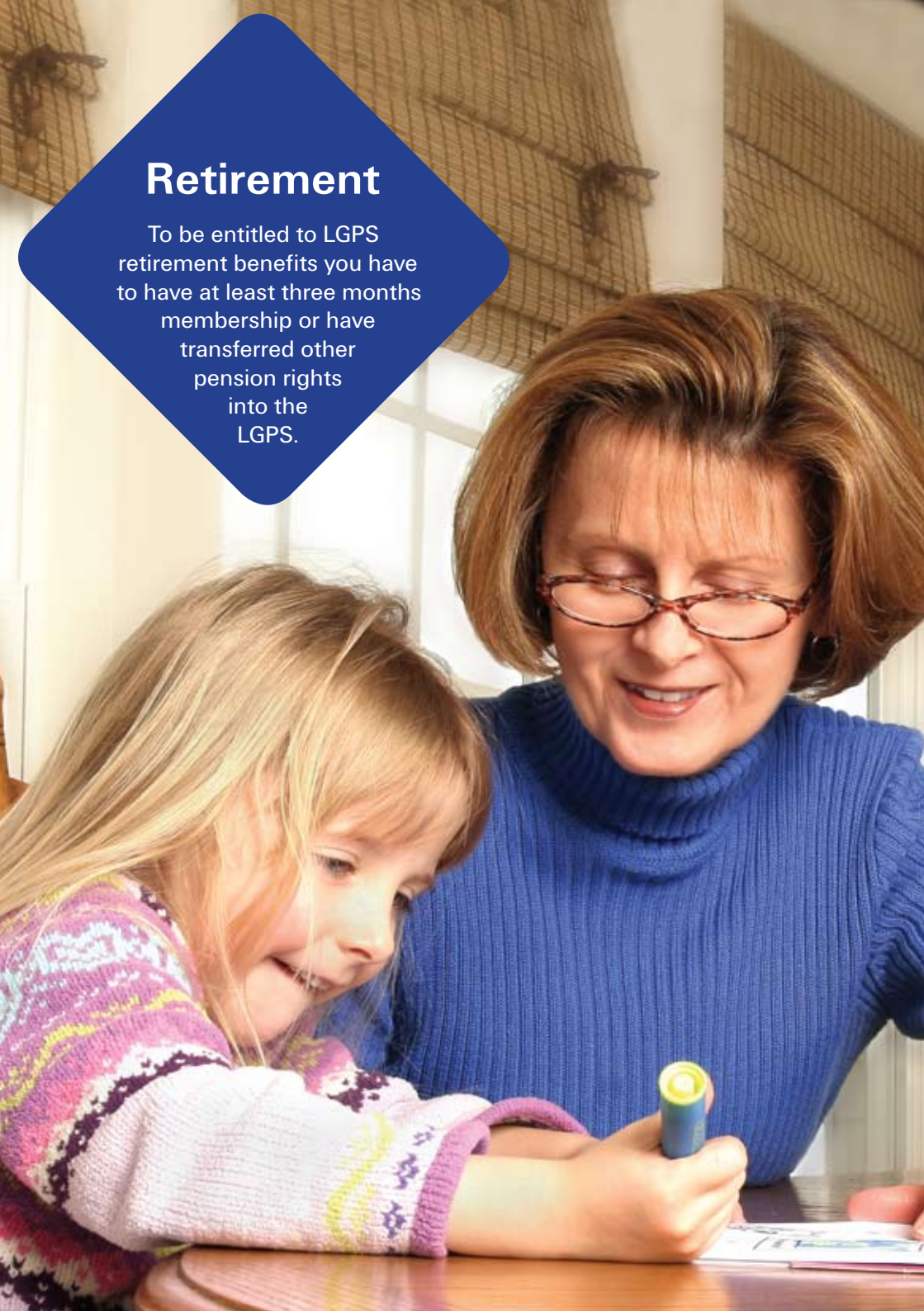
If you are re-employed in Local Government or by an employer who offers you membership of the LGPS, you must tell the LGPS Fund that pays your pension about your new position, regardless of whether you join the scheme in your new position or not.

If you are in receipt of a LGPS ill health pension which is of the type that is stopped if you are in gainful employment, your pension may be affected and you must inform the employer who awarded you that pension that you have taken up further employment. In either case, a check will then be made to see whether the pension you are being paid should be reduced or stopped.

¹ *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.*

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 LGPS 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 Benefits' section on page 12.

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. However, if you were paying into the LGPS on 31 March 2008

the earliest age you may be able to retire with your employer's consent and receive your benefits is 50, rather than 55, provided you do so before 1 April 2010.

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 12 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 your benefits may be protected - see table below:

Effect on benefits if member chooses to retire before age 65 and satisfies 85 year rule at the date of retirement

| Membership | Date of Birth | | |
|---------------------|-----------------|----------------------|----------------|
| | Before 01.04.56 | 01.04.56 to 31.03.60 | After 31.03.60 |
| Up to 31.03.08 | Protected | Protected | Protected |
| 01.04.08 - 31.03.16 | Protected | Partly protected | Not protected |
| 01.04.16 - 31.03.20 | Not protected | Partly protected | Not protected |
| From 01.04.2020 | Not protected | Not protected | Not protected |



If you carry on working after age 65 you can continue to pay into the Scheme, building up further benefits.

What if my employer retires me on grounds of redundancy or business efficiency?

If you are aged 55 or over you will be entitled to the immediate unreduced payment of your LGPS benefits. However, if you were a member of the LGPS on 31 March 2008 and retire on grounds of redundancy or business efficiency before 31 March 2010 you will receive immediate unreduced payment of your LGPS benefits if you are aged 50 or more.

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 3 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 were a member of the LGPS on 31 March 2008 and you do not have a break in your employment with your employer after then, the earliest age at which you may be able to draw some or all of your benefits on flexible retirement is 50, rather than 55, provided you take flexible retirement before 31 March 2010.

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 can 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 overleaf 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 $\frac{1}{60\text{th}}$ of your final year's pensionable pay.

Can I exchange part of my pension for 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 up¹.

¹ Providing the total lump sum does not exceed £437,500 (2009/10 figure) less the value of any other pension rights you have in payment

**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:
 $20 \times \frac{1}{60} \times \text{£}15,000 = \text{£}5,000$

If they decide to give up £1,000 pension for a cash lump sum, then their reduced annual pension is:
 $\text{£}5,000 \text{ less } \text{£}1,000 = \text{£}4,000$

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

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

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

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

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

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

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 $\frac{1}{80}$ th 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.

Taking AVCs as cash

If you pay Additional Voluntary Contributions (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)¹.

What pay is used to calculate retirement benefits?

Your retirement benefits will normally be calculated on your final year's pensionable pay (if you are 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. If your pay is reduced or restricted on or after 1 April 2008, you have the further option to have your benefits based on the average of any 3 consecutive years (ending on a 31 March) within the last 10 years before retirement.

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.

If you retire before age 55, the accumulated effect of inflation since you retired will be added to your pension when you reach age 55. Ill health pensions are increased each year in line with the Retail Prices Index regardless of age.

¹ Providing the total lump sum does not exceed £437,500 (2009/10 figure) less the value of any other pension rights you have in payment

**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's¹ or, subject to the certain qualifying conditions, a nominated cohabiting partner's pension equal to $\frac{1}{160}$ th of your final pay times the total membership you would have built up in the LGPS to age 65². 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 3 years pay. If you are part-time, it's 3 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 $\frac{1}{160}$ th 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 $\frac{1}{160}$ th 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 10 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 nominate a cohabiting partner you can obtain form LGP25a from your Pension Liaison Officer, the Fund or the Fund's website at: www.merseysidepensionfund.org.uk

The LGPS allows you to nominate who you would like any death grant to be paid to by completing a Death Grant Nomination form (LGP25) which is also available from your Pension Liaison Officer, the Fund or the Fund's website at: www.merseysidepensionfund.org.uk

The Fund, however, retains absolute discretion when deciding who to pay any death grant to.

You can find out how to contact the Fund at the end of this guide.

¹ 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.

² If you are part-time, membership to age 65 is calculated assuming you had remained part-time.

**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, have no other LGPS pension rights in England or Wales and have not transferred former LGPS benefits to an overseas scheme, you may take a refund of your contributions, less any deductions for tax and the cost of buying you back into the State Second Pension scheme (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' section on page 12 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 until 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 3 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.

However, if you were paying into the LGPS on 31 March 2008 the earliest age you may be able to elect to receive your deferred benefits with your former employer's consent is 50, rather than 55, provided you do so before 1 April 2010. 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 5 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 Death Grant Nomination form (LGP25) which is available from your Pension Liaison Officer, the Fund or the Fund's website at:

www.merseysidepensionfund.org.uk

The Fund, 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 $\frac{1}{160}$ th 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 $\frac{1}{160}$ th 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 nominate a cohabiting partner you can obtain form LGP25a from your Pension Liaison Officer, the Fund or the Fund's website at: **www.merseysidepensionfund.org.uk**

You can find out how to contact the Fund at the end 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 re-joining the Scheme or such longer period as your employer allows.



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.

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 your Pension Liaison Officer or the Fund at the address shown at the end of this guide. They will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.

If your query is about your contribution rate, please contact your employer's Personnel/HR or Payroll section so they can explain how they have calculated your contribution rate.

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 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 below.

Internal Disputes Resolution Procedure

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 Fund to have it reconsidered. A leaflet explaining the Internal Disputes Resolution Procedure 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 630 2200.

The Pensions Regulator

This is 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 6063636.

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 6002 537



**Also, don't forget
to keep the Fund
up to date with
any change in your
home address.**

Further information and disclaimer

This guide cannot cover every personal circumstance and does not cover rights that apply to a limited number of employees e.g. those whose total pension benefits exceed the Lifetime Allowance or whose pension benefits increase in any tax year by more than the Annual Allowance, 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.

More detailed information on the Scheme is available for download at:

www.tinyurl.com/arnnhe
or on request from the Fund.

In the event of any dispute over your pension benefits the appropriate legislation will prevail. This 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:

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