

Opting out of the Local Government Pension Scheme

Please take a minute to understand the main benefits of being a member of the LGPS.

The Local Government Pension Scheme (LGPS) provides a very important benefit as part of your employment package. Not only will it provide you with an inflation proofed income in retirement, payable for life, but it also gives your loved ones financial security in the event of your death or long-term ill-health.

You might be thinking of opting out of the LGPS for a variety of reasons one of which may be that you have recently been automatically enrolled into the Scheme by your employer. No one can force you to be a member of the Scheme, but your employer should also not ask or enforce you to opt out. Whatever the reason for opting out, you should take careful consideration of the benefits you could be giving up and you may wish to seek independent financial advice before doing so. If you are advised to opt out of the Scheme you should request this advice in writing.

The LGPS is known as a **Defined Benefit** scheme which means that your benefits are based on statutory regulations, and the pay you receive. Benefits are not based on the contributions you pay as with defined contribution 'money-purchase' pension schemes. The level of benefits received from 'money purchase' schemes is dependent upon the level of contribution paid, investment performance and annuity rates at retirement. It is much easier to predict the pension that will be paid from a defined benefit scheme than it is from a defined contribution scheme.

You should be aware that pension contributions are deducted from your pay before tax so you will pay less tax as a member of the Scheme. As a basic rate taxpayer you would save £20 in tax for every £100 of contribution made. You should also remember that your employer will pay contributions for you. Broadly speaking your employer will pay around twice as much as you do. By not being in the Scheme you would be giving up a sizable pension contribution paid by your employer. A large part of the benefits you and/or your dependants will receive from the Scheme are therefore paid for by your employer and the tax office.

It is also important to be aware that once you have contributed to the Scheme for at least 2 years you cannot have a refund of the contributions. Instead you will become entitled to a pension payable from your State Pension Age (with a minimum age of 65). If, however, you opt out having contributed for less than 2 years (providing you have no previous LGPS pension rights held elsewhere and you are under State Pension Age) you will be entitled to claim a refund of your contributions. **Please note: Employer contributions are non-refundable.**

Are you aware that there is an alternative to opting out of the LGPS completely?

Rather than opt out of the LGPS completely you can elect to join the **50/50 section** of the LGPS. Under the 50/50 section you pay half contributions but only build up half the normal pension. However, in the 50/50 section you will still retain full life cover. Entry into the 50/50 section of the LGPS is designed to be a short-term option for when times are tough financially. To find out more about the 50/50 section please see our 50/50 election guide which is available through our website or by contacting us on **01628 796 668**.

What are the main benefits of being a member of the Scheme?

- A pension payable for life increased annually in line with inflation with an option to convert part of your pension to tax-free cash at retirement;
- A death grants equal to 3 times your assumed annual pensionable pay, payable to your nominated beneficiary in the event of your death in service;
- Pension benefits payable to your dependants in the event of your death which include:
 - **Your Husband or Wife; or**
 - **Your Civil Partner; or**
 - **Your Co-habiting Partner, and**
 - **Your eligible children;**
- Early release of pension benefits, normally enhanced, if you have to retire due to permanent ill-health;
- Early release of benefits from the age of 55 if you are made redundant, retired early due to business efficiency or electing to take early retirement.

What do I do if I still wish to opt out of the LGPS?

If you still wish to opt out of the LGPS you need to complete the attached application and sign the declaration. However, before doing so please note the following:

1. You can only sign and date the opt out form once you have commenced employment in the post(s) from which you wish to opt out of membership of the LGPS. You cannot sign and date the form before then as it will be treated as an invalid opt out.
2. The completed opt out form should be returned to your employer's **Payroll Department** and not to the Pension Fund.
3. If you have another job with another employer, that employer might also put you into a pension scheme, now or in the future. This opt out notice only opts you out of the LGPS in relation to the employer and posts you have named on this form.

4. A separate opt out notice must be filled out and given to any other employer you work for if you wish to opt out of their pension scheme.
5. If you opt out of the LGPS before completing three months membership you will be treated as never having been a member and will receive a refund of any contributions from your employer. If you opt out after two years you will be entitled to a deferred pension benefit in the LGPS which, unless you transfer the benefits to another pension scheme, would normally be payable from your Normal Pension Age (or from age 55 at your choice).
6. If you decide to opt out of membership of the LGPS and subsequently change your mind you will be able to rejoin the scheme provided you are under age 75 and you remain in an employment that qualifies you for membership of the Scheme. You will need to complete an opt in form and return this to your Payroll Department if you wish to opt back into the scheme.
7. If you stay opted out your employer will normally automatically put you back into the LGPS approximately three years from the date they have to comply with the automatic enrolment provisions of the Pensions Act 2008. You will, however, again be entitled at that time to opt out of membership of the scheme.
8. If you change employer your new employer will normally put you back into a pension scheme straight away.

More information

More detailed information about the scheme is available from the pension team at the following address: **Royal County of Berkshire Pension Fund, Minster Court, 22-30 York Road, Maidenhead, Berkshire, SL6 1SF**

Tel: 01628 796 668

E-mail: info@berkshirepensions.org.uk

Web: www.berkshirepensions.org.uk

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Local Government Pension Scheme 2014

Application to opt out of the Local Government Pension Scheme

Please complete this form using black ink

This application form should only be completed by a scheme member who wishes to opt out of the Local Government Pension Scheme in respect of employment with an employer participating in the Royal County of Berkshire Pension Fund.

Your Details			
Surname		Title	
Forenames			
Date of Birth		NI Number	
Home Address			
		Postcode	
Employer Name			
<p>Purpose for which this form will be used - This form, once completed and returned to your employer's Payroll Department will be used to cease your active membership of the Local Government Pension Scheme as per your instructions on the opt-out form. The form will be retained as a record of your election to cease membership of the Local Government Pension Scheme or, if you hold more than one post with us, as a record of your election to cease membership in the job or jobs you have indicated on the form.</p>			
<p>Please note you will be taken out of the Scheme from the next available pay date and that your employer will notify the pension scheme administrators that you have opted out.</p> <p>If you hold more than one post, we will assume you wish to opt out of membership of the LGPS in all of those posts. However, should you not wish to opt out in respect of all of your posts, please indicate in the boxes below the name of the post (or posts) from which you DO wish to opt out of membership of the LGPS. Please add an additional sheet of paper if you wish to opt out of more than 4 posts.</p>			
Post 1 – Job Title		Pay Ref	
Post 2 – Job Title		Pay Ref	
Post 3 – Job Title		Pay Ref	
Post 4 – Job Title		Pay Ref	

Declaration

I declare that by opting out of the Local Government Pension Scheme (LGPS) I am knowingly giving up the opportunity to participate in the LGPS which would provide a guaranteed package of benefits which are backed by law including:

- **a secure pension** – payable for life that increases with the cost of living
- **tax free cash** – the option to exchange part of my pension for some tax-free cash at retirement
- **life cover** – with a lump sum of three times my assumed pensionable pay if I die in service
- **voluntary early retirement** – from age 55 (even though the scheme's normal pension age is equal to your State Pension Age). Benefits drawn before normal pension age may be reduced for early payment
- **ill-health cover** – if I have to retire due to an illness, I could receive immediate benefits based on an enhanced period of scheme membership
- **redundancy cover** – with the early payment of pension benefits if I am made redundant or retired on business efficiency grounds at age 55 or over
- **cover for my family upon my death** – including a survivor's pension for my husband, wife, civil partner or cohabiting partner as well as dependant children's pensions

I have read the guidance regarding opting out of the LGPS and understand that the choices I make now are important in planning for my retirement. I confirm I wish to opt out of the LGPS in the post or posts I have indicated on this form.

- **I understand** by opting out I will lose the right to pension contributions from my employer.
- **I understand** that by opting out I may have lower income when I retire.
- **I understand** by opting out neither I nor my dependants have any rights to a death in service grant under the Scheme.
- **I understand** I have been made aware of the option to join the 50/50 section of the LGPS.
- **I am satisfied** that the Berkshire Pension Fund has exercised its duty of care in providing me with sufficient information to make my decision.

PLEASE NOTE: You cannot sign and date this form until after the date you joined the pension scheme. If you do the form will be treated as an invalid opt out and you will need to complete another form. It is important to fully complete this form. An incomplete form will not be accepted as a valid opt out and it will be returned to you for completion.

IMPORTANT: If as a result of any delay in receiving your completed opt out form, due to your failure to meet these requirements, your Scheme membership ultimately exceeds 2 years and a refund of contributions cannot be paid to you neither your employer or the Pension Fund will be held accountable.

Signature		Date	
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Please return this completed form to your Payroll Department