



It's all too easy to think by opting out of your pension scheme, you've found an easy way of saving money, particularly when your finances are being stretched.

Whatever your reasons for considering opting out of the scheme, please continue reading and give this matter careful consideration before making a final decision.

The reality

Could you afford to live on £175.20 per week?

The new state pension from 6 April 2020 is as little as £175.20 per week for a single person.

Not everyone will receive the full new state pension, it will depend on your National Insurance record.

Ask yourself the questions; could I live on this income? What standard of living would this amount provide? Would you need to carry on working much longer into your 70's?

Over 1 million people in the UK over 65 are still in Employment

Obviously a percentage of these people will have decided to carry on working because they enjoy work and may have reduced their hours or chosen to do something completely different.

But worryingly, many say they have not made adequate pension provision and needed to carry on working to pay the bills, and envisaged working well into their 70's.

It has been reported over 300,000 pensioners over age 70 are still in work, with many saying they are too poor to stop working.

Why is planning for retirement important?

- As a nation we are keeping ourselves fitter, healthier and more active
- We have greater awareness of how lifestyles can influence our health
- Healthcare is improving. Each year we hear of advances in medical research leading to the prevention of illness
- Statistics show life expectancy is increasing and people are living well into their 80's
- It is now not unrealistic to expect to spend up to a quarter of your life in retirement
- In a recent survey many people said they no longer see retirement as an end of an era, but rather an exciting new chapter in their lives

You can find out about your state retirement pension and how to request a state pension forecast from the Directgov website at:

www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/index.htm

You can also request a state pension forecast by phoning the Future Pension Centre on 0800 731 0175.

Why should I remain in the LGPS?

Although changes to the Local Government Pension Scheme (LGPS) came into force on 1st April 2014, please remember the LGPS is, and will continue to be, one of the best occupational pension schemes in the UK.

The LGPS allows you to save while you are working to enjoy a pension once you retire. The LGPS is provided by your employer who meets a large part of the cost of providing the excellent range of secure benefits, so it's an extremely valuable and important part of your employment package.

- As a member, you have a really secure pension, and the chance to draw some of your benefits as tax free cash at retirement... **opt out** and you **miss out** on this*
- By **opting out** you are **missing out** on life cover of 3 times your pay and pensions for eligible dependants if you die
- If you pay tax, this goes down as a member – **opt out** and you **miss out** on this valuable tax relief...
- Your employer pays in around twice as much as you do – **opt out** and you **miss out** on this
- Ill health cover – **opt out** and you **miss out** on this*
- Redundancy cover – **opt out** and you **miss out** on drawing pension benefits from 55 if you are made redundant or asked to leave on efficiency grounds*
- **Opt out** and you **miss out** on voluntary early retirement – the right to draw pension benefits as young as 55 (reduced for early payment)*

For the benefits marked with a * you need to meet the scheme's vesting period by completing 2 years scheme membership, bringing a transfer into the LGPS from a scheme that does not permit a refund, or having a deferred benefit or pension in payment in another LGPS fund in England or Wales.

As a member of the LGPS you have the security of these benefits at a relatively low cost.

Opting out won't save you as much in take home pay as you may think. In most cases, you will pay more tax if you opt out of the LGPS. A basic rate tax payer paying pension contributions of £100 a month will pay £20 more tax if they opt out.

Can I pay less and remain in the LGPS?

Yes. The LGPS has a '50/50 Section'. This section allows you to retain full life cover, whilst paying half of the normal contributions for half of the normal pension build-up.

You can switch between the full section and the 50/50 section as many times as you like, however your employer will always bring you back into the full section on their automatic enrolment anniversary date. The reduced contribution rates and examples can be found in '**How much does membership of the LGPS cost?**'

How much does membership of the LGPS cost?

Your contribution rate depends on how much you are paid. From April 2014 the rate is between 5.5% and 12.5% of your pay. The rate you pay depends on which pay band you fall into. If you join the **50/50 section**, your rate will be halved as shown in the table below.

If you work part-time, your rate is based on your actual part-time pay rate for your job.

Here are the pay bands and the rates which apply from April 2020.

If your actual pay rate is:	You pay a contribution rate of:	50/50 contribution rate of:
£0 to £14,600	5.50%	2.75%
£14,601 to £22,800	5.80%	2.90%
£22,801 to £37,100	6.50%	3.25%
£37,101 to £46,900	6.80%	3.40%
£46,901 to £65,600	8.50%	4.25%
£65,601 to £93,000	9.90%	4.95%
£93,001 to £109,500	10.50%	5.25%
£109,501 to £164,200	11.40%	5.70%
£164,201 or more	12.50%	6.25%

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

Let's look at a full time member earning £20,000.00. They would pay contributions of £1,160.00 (5.8%) for the year. If the same member was in the **50/50 section** for the whole year, the contributions payable would be £580.00 (2.90%).

If the same member went part time and reduced their hours by half, their earnings would be £10,000.00 for the year and the contributions payable would be £550.00 (5.5%). If the same member was in the **50/50 section** for the whole year, the contributions payable would be £275.00 (2.75%).

What if I only intend to stay in my job for a short time?

Many people move jobs frequently. If you do, you should still consider how best to save for your retirement. Even if you aren't working for your employer for long, it is still worth thinking of being a member of the LGPS. By remaining in the LGPS you would be saving towards your retirement while you're working and you would enjoy the full range of benefits the LGPS provides.

As an LGPS member, you won't risk losing your contributions if you move on. On leaving your job, you may be able to choose to transfer your LGPS pension rights to another pension provider.

If you opt out of the LGPS before completing the vesting period you will be treated as never having been a member and will receive a refund of any contributions deducted from your pay. If you opt out after the vesting period you will be entitled to a deferred pension benefit in the LGPS. The deferred pension would be held in the LGPS until it is due to be paid, or until you decide to transfer it to another pension scheme. Whilst it is held in the LGPS, the value of your LGPS pension increases every year in line with the cost of living.

I'm close to retirement, what would be the point now?

It is always worth thinking of being a member of the LGPS. You would enjoy the full range of benefits the LGPS provides and once you had met the vesting period you would receive a pension when you retire or you reach the eve of your 75th birthday, whichever comes first. If you are over your normal pension age, your pension would be paid at an increased rate.

Opting Out and re-joining

If you opt out of the scheme in an employment (other than a concurrent employment) with an entitlement to a pension benefit, on or after 11th April 2015 and subsequently re-join the scheme, we cannot join your deferred pension account with the new active pension account.

If you have any queries about the LGPS, please contact:

Norfolk Pension Fund, Lawrence House, 5 St Andrews Hill, NORWICH, NR2 1AD

Telephone : 01603 495923

Email : pensions@norfolk.gov.uk

Website : www.norfolkpensionfund.org

Disclaimer

This leaflet is for employees in England or Wales and reflects the current provisions of the LGPS and overriding legislation at the time of publication in July 2015. The Government may make changes to overriding legislation and, after consultation with interested parties, may make changes in the future to the LGPS. If there is any dispute over your pension benefits, the appropriate legislation will apply. This leaflet does not give you any contractual or legal rights, and is provided for information purposes only.