

## OPTING OUT

### An Important Financial Decision

The Local Government Pension Scheme (LGPS) is an important financial benefit of your current employment and you should think very carefully before opting out. If you are married, in a registered civil partnership or have a cohabiting partner, or have any children or expect to have them in the future, this decision could affect them. It is therefore suggested that you consider taking independent financial advice before making a decision.

#### What benefits does the LGPS provide?

It currently provides:

- A pension that builds up at a rate of 1/49th of your pensionable pay or assumed pensionable pay\* in a pension scheme year (1st April to 31st March), this monetary value is added to your pension account (pot) and adjusted each year in line with inflation. (\*Assumed pensionable pay is the pay you would have received before any reductions due to sickness or relevant child related leave)
- You have a choice of taking this from age 55 with an early payment reduction, as well as the option of giving up some of the pension to provide a lump sum.
- A survivor's pension payable on your death if you are married, in a registered civil partnership or have a cohabiting partner, and for any eligible children.
- A lump sum death grant of 3 years' assumed pensionable pay if you were to die in service.
- Early payment of pension benefits if you become permanently unable to do your job as a result of ill-health and your future employment prospects are affected, which as well as not being reduced for early payment, could actually be increased,
- Early payment of pension benefits if your employment is terminated on redundancy or the employer's efficiency grounds and you are at least age 55 at the time, which would not be reduced for early payment.

#### How much do I pay?

You pay between 5.5% and 12.5% of your pensionable pay, depending on your rate of pay. This is only about one third of the cost of your pension; your employer pays the rest. You also do not pay tax on this amount and have a revised, lower, National Insurance contribution rate. This means that if you opt out your net pay will only increase by about 60% of the value of your gross pension contributions – the rest goes towards tax.

#### Will my employer pay into another pension scheme of my choosing?

No. If you decide not to join, or to opt out of the LGPS, your employer will not pay contributions into any alternative pension arrangement you make.

#### Can I opt out now and rejoin at a later date?

Yes, providing you are in an employment that offers the LGPS at the point you choose to rejoin.

#### How else can I reduce the cost of membership of the LGPS?

You can make an election to join the 50/50 section of the Scheme. This allows you to pay half your contributions and receive half your normal pension. You do get full life cover however, even though you are only paying half the normal rate of contribution. Further information on this option can be found on our website at either:

Cambridgeshire Pension Fund:

<http://pensions.cambridgeshire.gov.uk/index.php/current-scheme-members/>

Northamptonshire Pension Fund:

<http://pensions.northamptonshire.gov.uk/index.php/current-scheme-members/>

**I understand that the Government will require all employers to automatically enrol their employees into a pension scheme. How will this affect me?**

Your employer will automatically enrol eligible employees not in the LGPS back into the scheme over the next five years. This automatic enrolment will then happen every 3 years if you remain eligible for membership of the LGPS. If you do not wish to be in the LGPS you will have to opt out each time, and you will only have a short time to do so.

**Can I choose the date I wish to opt out from?**

Yes you can. There is no time limit on opting out.

The date that written notice to end membership and opt out of the LGPS takes effect is usually the end of the pay period in which it is received by the employer, making that last day of the pay period the last day of membership UNLESS the notice specifies an effective date that is no earlier than the date it is received by the employer, when that effective date would instead be the last day of membership.

It is your responsibility to ensure the form is completed correctly and is received by your employer at the appropriate time.

**Will I receive a refund of any pension contributions that I have paid?**

That will depend on how long you were a member of the LGPS for, and this could be influenced by both timing and the way you complete your opting out form.

If the length of membership from joining to the last day of membership is less than 3 months, you will be treated as not having been a member of the LGPS and your pension contributions will be refunded to you by your employer via their payroll system. They will also adjust the rate of National Insurance deductions made in the current tax year, and contact HM Revenue & Customs to arrange any adjustment in relation to the preceding tax year if necessary.

It is your responsibility to ensure the form is completed correctly and is received by your employer at the appropriate time.

If the length of membership from joining to the last day of membership is more 3 months and less than 2 years, you can claim a refund via the Pension Fund, not your employer.

However, you will not be entitled to receive a refund, if you already have a deferred benefit or a pension in payment in an LGPS Pension Fund in England and Wales, in which case you would be entitled to a deferred benefit. You will also be disqualified from receiving a refund if any of the following apply:

- A transfer of pension rights has been received from a different occupational scheme and the length of service in respect of benefits in that scheme was 2 or more years;
- The aggregate of the period of any transferred service from a different occupational scheme and the period of time contributing to the LGPS is 2 or more years;
- A transfer value payment has been received in respect of rights accrued in a scheme or arrangement that does not permit a refund of contributions to the member;
- You have paid National Insurance Contributions whilst a member of the Scheme and ceased to be an "Active" member of the LGPS after the end of the tax year preceding that in which you attain pensionable age (age 60 for a female; age 65 for a male if you have paid National Insurance at the contracted-out rate prior to 5th April 1997) or State Pension Age;
- A transfer of pension rights has previously been paid to a "Qualifying Overseas Pension Scheme (QROPS);
- You have attained age 75;
- You have rejoined the LGPS within 1 month and 1 day of opting out.

If any of the above apply you would not be eligible for a refund of pension contributions, and would instead be entitled to a deferred benefit which would remain with the Pension Fund until such time as you reach retirement age OR you could elect to transfer your pension rights to another pension arrangement.

### **I wish to stay in the LGPS, what do I do now?**

You do not need to do anything. Your membership should automatically continue. It is worth checking that the correct contributions are being taken from your pay – you should be able to check this on your payslip.

### **I still wish to opt out of the LGPS, what do I do now?**

Please remember that a decision not to join or to opt out of the LGPS is an important financial decision with long term consequences. If you wish to receive further information to assist you in making a decision, please contact LGSS Pensions Service.

If you still wish to opt out you should:

- complete the attached form and send it to your employer's payroll provider (you are advised to get confirmation of receipt);
- check whether contributions have stopped when you receive your next pay slip and, if relevant, you have received a refund – if not contact your employer.
- claim a refund of pension contributions from the Pension Fund, if relevant.

### **I am a member of the LGPS for more than one employment; do I have to complete an Opting Out form for each employment?**

Yes, you have to complete a separate Opting Out form for every employment you wish to opt out of the LGPS.

### **Where do I send the completed Opting Out form?**

You must send the completed form to your employer's payroll provider.

### **What happens after I have opted out?**

In all cases your employer:

- stops collecting contributions immediately after the effective date of your opt out;
  - changes your National Insurance rate so that (in most cases) you pay more National Insurance;
  - collects more Income Tax from you;
- then,
- if you have 3 or more months in the LGPS, they will notify LGSS Pensions Services that you have opted out.
  - if you opt out within 3 months of joining the LGPS, your employer will refund the pension contributions that have been taken, and correct your tax and National Insurance for the current tax year. This is normally done in the pay period that contributions stop but may be done in the following period.

If you have more than 3 months and less than 2 years membership in the LGPS, you may be able to claim a refund of pension contributions from the Pension Fund, unless you are disqualified from receiving a refund, as outlined above. You may be able to transfer your accrued rights to another pension arrangement and you should contact LGSS Pensions Service for further details regarding this.

If you have 2 or more years membership or disqualified from receiving a refund, LGSS Pensions Service then awards you a formal deferred benefit. This will explain how your benefit has been calculated and when you will be able to claim your pension. You may be able to transfer your accrued rights to another pension arrangement and you should contact LGSS Pensions Service for further details regarding this.

You will not receive anything from LGSS Pensions Service if your contributions are refunded through payroll.

**Local Government Pension Scheme**  
Opting Out of the Local Government Pension Scheme

**OPTOUT**

Please complete this form if you are an employee who does not wish to be a member of the Local Government Pension Scheme (LGPS) even though you have the right to be a member. This may be because you are a new employee who has automatically been brought into the LGPS or an existing employee that no longer wishes to be a member of the scheme.

**PART A: Your Details (please use block letters)**

**Section 1 Personal Details**

Full Name: \_\_\_\_\_ Title: \_\_\_\_\_

Address: \_\_\_\_\_

Post Code: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

National Insurance Number: \_\_\_\_\_ Daytime Phone No: \_\_\_\_\_

**Section 2 Current Employment Details**

Name of Employer: \_\_\_\_\_

Job Title: \_\_\_\_\_ Pay Reference: \_\_\_\_\_

Date Commenced Employment: \_\_\_\_\_

**PART B: Please tick ONE of the following statements that applies to you**

I am a newly appointed employee who does not wish to be in the LGPS.

I am an existing employee who is currently contributing to the LGPS.

I wish to opt out at the end of the pay period in which this form is received by my employer.

I am an existing employee who has been auto-enrolled into the LGPS.

I wish to opt out at the end of the pay period in which this form is received by my employer.

I am an existing employee who is currently contributing to the LGPS.

I wish the effective date of my opt out to be: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_ \*

\* This date CANNOT be earlier than the date you sign the declaration below. In addition, if your employer receives this form more than 14 days after the date of the declaration, your final day of membership will be the end of the pay period in which this form is received by your employer.

**PART C: Declaration**

I understand this decision will mean that:

- neither my dependents or I will be entitled to any benefits relative to my period of non-membership;
- my employers and my LGPS Pension Fund cannot accept any liability whatsoever arising from this personal decision;
- if I remain in employment in which I am eligible for membership of the LGPS and wish to continue not to be a member, I will have to opt out, within specified timescales, each time my employer goes through the process of automatically enrolling me into the LGPS as they will be required to do.

Name: \_\_\_\_\_ Tel No: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

**Return this form to your employer's payroll provider**

The information which is collected on this form will be held and processed in line with the Data Protection Act. The information will be shared between Cambridgeshire and Northamptonshire County Councils for the purposes of pensions administration.

This information can be made available in other languages and formats upon request such as Braille, large print and audio cassette. Please phone (01604) 366537 for further information.

For Official Use (Payroll to complete once the form has been actioned)		Date Stamp:
Less than 3 months opt out with the refund done through the payroll with appropriate NI and Tax adjustments.	<input type="checkbox"/>	
3 months or greater opt out. Leavers Certificate sent to Pensions. Appropriate NI and Tax adjustments have been made.	<input type="checkbox"/>	