

Local Government Pension Scheme (LGPS)

Why membership of a pension scheme is important

What will your retirement be like?

Could you afford to live on £119.30 per week?

The current maximum value of the basic State Pension Scheme is £119.30 per week for a single person.

If you ask yourself the question; 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

Did you know that over one million people in the UK over age 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 of those surveyed said they had not made adequate pension provision and needed to carry on working to pay the bills, and envisaged working well into their 70's.

A recent survey reported that 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?

Key facts

- As a nation we are keeping ourselves fitter, healthier and more active
- We have a 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 that 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.

If you require any further information, please contact us using the details below.

t: 01244 976000 e: pensions@cheshirewestandchester.gov.uk w: www.cheshirepensionfund.org

a: Cheshire Pension Fund, Cheshire West and Chester Council, Council Offices, 4 Civic Way, Ellesmere Port, CH65 0BE

What Is the Local Government Pension Scheme?

As you may already know there is a good pension for employees who work in local government and it's called the Local Government Pension Scheme (LGPS). The LGPS is a statutory, funded pension scheme and is very secure because the benefits are guaranteed by the Government. Your employer also pays into the scheme something you don't get with personal pension and stakeholder schemes.

The scheme is an important part of your employment package and a valuable benefit on top of your pay.

It is never too late to start saving for retirement. Not only will you receive the State Pension you will also receive extra pension income from the LGPS.

What does the LGPS give you?

Let's look at the attractive scheme benefits the LGPS provides:

- Secure pension benefits based on 1/49th of your pay for each year of membership, independent of share prices and stock market fluctuations
- The option to take a tax free lump sum when you retire
- The choice to increase your pension by making additional contributions
- The right to retire voluntarily at age 55 with reduced benefits
- Early retirement benefits from age 55 on redundancy or with your employers consent
- Flexible retirement option from age 55, with your employer's consent, where you have the chance to draw some or all of your pension and remain in employment
- Immediate benefits at any age if you have to retire due to ill health
- Death in service lump sum of three years actual pay
- Peace of mind - your family enjoys financial security with survivors pensions payable for spouse, partner, cohabiting partners and eligible children
- Fully index linked benefits to keep pace with inflation
- Your employer also contributes to your pension

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How much does it cost?

The contribution rates from 1st April 2017 are listed below. The amount you will pay depends on the Actual amount of pensionable pay you earn including overtime and additional hours. Please note these contribution rates are liable to change once the pension increase order is announced.

Pensionable Pay	Gross Contribution	Contributions after Tax Relief
Up to £13,700	5.50%	4.40%*
£13,701 to £21,400	5.80%	4.64%*
£21,401 to £34,700	6.50%	5.20%*
£34,701 to £43,900	6.80%	5.44%*
£43,901 to £61,300	8.50%	5.10%**
£61,301 to £86,800	9.90%	5.94%**
£86,801 to £102,200	10.50%	6.30%**
£102,201 to £153,300	11.40%	6.84%**
£153,301 or more	12.50%	6.88%***

* Assumed 20% tax payer

** Assumed 40% tax payer

*** Assumed 45% tax payer

As a member of the LGPS you will also benefit from tax relief on your pension contributions.

50/50 Option

This '50/50' option will enable you to pay half your normal rate of contribution and in return build up half pension during that period. You will still retain the full value of other benefits such as the death in service lump sum. The usual pension build up rate is 1/49th of pay – meaning each year your pay is divided by 49 and this amount is the pension you have built up. The 50/50 option would reduce this to 1/98th – meaning that your pay would be divided by 98 and therefore half the pension is accrued for that period.

Members would elect for the 50/50 option and from the next pay period their contributions would be reduced by half. No further election would be required until either the member wishes to rejoin the main scheme or they are brought back into the main scheme under automatic enrolment provisions.

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50/50 Example:

Ellen is paying off a loan and is finding things difficult financially so she decides to opt for the 50/50 scheme for the remainder of the time she has left on the loan. Her pensionable pay is £16,600 a year, so during 6 months of 50/50 membership she has paid at a rate of 2.9% instead of 5.8%.

After tax relief, this has reduced her contributions by a total of £192 during the period of 50/50 membership. The pension built up in that year has reduced from 1/49th of £16,600 for the whole year to 6 months at 1/49th and 6 months at 1/98th (from £338 to £254) whilst her death in service lump sum has remained at £49,800 throughout.

Net Contribution in the main Scheme (6 months) £64 per month	Net Contribution in the 50/50 option (6 months) £32 per month
Pension build up before revaluation in the main Scheme 16,600 x 1/49th x 0.5 (6 months) = £169	Pension build up before revaluation in the 50/50 option 16,600 x 1/98th x 0.5 (6 months) = £85
Death in Service Lump Sum £49,800	Death in Service Lump Sum £49,800

Finally

Remember, your employer pays into the LGPS too – so by deciding not to be a member you are, effectively giving up part of your pay package.

You are fortunate enough to have access to the LGPS, a good quality pension scheme that will provide you with a guaranteed level of income when you retire that's not linked in any way to the stock market.

If you want to know more about the LGPS and how to join, please contact your personnel department or the Cheshire Pension Fund using the contact details below.

Disclaimer

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