

Local Government Pension Scheme (LGPS)

Option to pay lower pension contributions - the 50/50 Option

One of the key features of the LGPS is the 50/50 option, which offers low cost membership and enables members to pay half rate contributions and in return build up half of your normal pension.

The 50/50 option is designed to provide a short term alternative to those considering opting out of the scheme. This may help some members who are temporarily unable, or have difficulty in paying the full amount of contributions if your financial circumstances change e.g. moving house, childcare costs, getting married etc. The 50/50 option will allow you to remain as an active member of the scheme and pay lower contributions rather than opting out altogether.

You would then still be able to take advantage of the benefits of being an LGPS member but contribute a lower, more manageable amount.

The 50/50 option would include:

- A reduction to your pension contributions by 50% and build up half of the pension (1/98th) you would have built up in the main option (1/49th) - see the following examples
- Full main scheme death benefits should anything happen to you while you are in the 50:50 option so your family is fully protected
- Automatic return into the main scheme should you go out of pay due to sickness or injury so you are not disadvantaged
- Ill health protections should you become unable to work and have to retire because of ill health

How will the 50/50 option work?

In the LGPS a member has the option to pay half contributions to accrue half the benefit.

A member wishing to take up this option will need to complete the 50:50 option form which can be found on the Cheshire Pension Fund website www.cheshirepensionfund.org.

Once the form has been received by your Payroll department they will arrange for your contribution rate to be reduced by half from your next available pay.

You can cancel the election at any time by either confirming in writing to your employer or completing a 50:50 cancellation form which is also available on the Cheshire Pension Fund website.

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

Contribution banding table showing full and half contribution rates

Actual Pensionable Pay	Main Scheme		50/50 option	
	Gross contribution	Net contribution (after tax relief)	Gross contribution	Net contribution (after tax relief)
Up to £13,700	5.5%	4.40%	2.75%	2.20%
£13,701 to £21,400	5.8%	4.64%	2.90%	2.32%
£21,401 to £34,700	6.5%	5.20%	3.25%	2.60%
£34,701 to £43,900	6.8%	5.44%	3.40%	2.72%
£43,901 to £61,300	8.5%	5.10%	4.25%	2.55%
£61,301 to £86,800	9.9%	5.94%	4.95%	2.97%
£86,801 to £102,200	10.5%	6.30%	5.25%	3.15%
£102,201 to £153,300	11.4%	6.84%	5.70%	4.02%
£153,301 or more	12.5%	6.88%	6.25%	3.44%

Below are a couple of examples of how the 50/50 option impacts on pension accrual.

Example 1

A member is paying off a loan and is finding things difficult financially so she decides to opt for the 50/50 option for the remainder of the time she has left on the loan. Her pensionable pay is £16,600 a year and she would contribute 5.8% (£80.23 per month before tax relief and £64.19 per month after tax relief is applied) in the main scheme. For the time she is in the 50/50 option she contributes half that amount: 2.9% (£40.13 per month before tax relief and £32.09 after tax relief).

In return she builds up a pension with an accrual rate of 1/98th (in contrast with the main scheme accrual of 1/49th) so if she stays in the 50/50 section for 2 years she will build up an annual pension of £338.78. This amount will be added to her pension in the main scheme.

While she is in the 50/50 option she remains eligible for the full value of other benefits of the scheme for example her death in service lump sum would be £49,800 (3 times her pensionable pay).

	Main Scheme	50/50 option
Net contribution	£64.19 per month	£32.09 per month
Annual pension build up before revaluation	1/49 th - £338.78	1/98 th - £169.39
Death in Service – Lump sum	£49,800	£49,800

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Example 2

A member's partner has been made redundant and they are facing a difficult time until work can be found. The member decides to opt for the 50/50 option. 6 months later their finances are back to normal.

His pensionable pay is £25,000 a year so during the 6 months of 50/50 membership he has paid at a rate of 3.25% instead of 6.5%.

After tax relief this has reduced his contributions by a total of £325 during the period of 50/50 membership. The pension built up in that year has reduced from 1/49th of £25,000 for the whole year to 6 months at 1/49th and 6 months at 1/98th (from £510 to £382) whilst his death in service lump sum has remained at £75,000 throughout.

	Main scheme (6 months)	50/50 option (6 months)
Net contribution	£108.33 per month	£54.17 per month
Annual pension build up before revaluation	$1/49^{\text{th}} \times 0.5$ (6 months) = £255.10	$1/98^{\text{th}} \times 0.5$ (6 months) = £127.55
Death in Service – Lump sum	£75,000	£75,000

How long can I stay on the 50/50 option?

The 50:50 option is designed to provide a short term alternative to those considering opting out of the scheme. Although the option is intended to be a short term solution there is no maximum period that a member can remain in the 50:50 section of the scheme, you can stay in the 50/50 option for as short as one month and you can choose 50/50 as often as you need to. However, as part of your employers automatic enrolment process you will be put back into the main scheme on the third anniversary of your employers automatic enrolment date (And subsequently every three years after this date) on the full contribution percentage rate. If you wish to remain in the 50/50 section at this time you will need to complete the 50:50 option form again and send it to your employer.

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Contact Us

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