

# The LGPS at a glance

For further information and additional resources, please see our website [www.dorsetpensionfund.org](http://www.dorsetpensionfund.org)

## Eligibility for membership

Membership is generally available to employees of participating employers who have contracts of employment of three months or more, are under the age of 75 and who are not eligible for membership of other statutory pension schemes. Membership of the LGPS is therefore not open to Police Officers, firefighters, civil servants, etc who have their own pension schemes. Employees of admission bodies and designating bodies such as a town or parish council can only join if their employer nominates them for membership of the LGPS.

## Employee contributions

The rate of contribution payable by members of the main scheme varies according to pay, ranging from 5.5% to 12.5%. The pay ranges to which each contribution rate applies are adjusted each April in line with changes in the cost of living. Members of the 50/50 option pay half the main scheme contributions and build up half the normal main scheme pension.

## Extra benefits

Members can pay additional pension contributions (APCs) to increase their pension. They can also pay money purchase additional voluntary contributions (AVCs) into a scheme operated in conjunction with the Prudential, to provide extra pension, extra lump sum, extra death benefits or permutations thereof. Both APCs and AVCs attract tax relief in most cases.

## Retirement benefits

For each year of membership in the main scheme, an employee member builds up a pension of a 49th of the pay received during that year. This pension is then increased each year in line with inflation, to maintain its value in real terms. Someone in the 50/50 option builds up a pension of a 98th of the pay received during that year, which is again protected against inflation. Ill health pensions can also be awarded, based on one of three tiers, for those that satisfy the Scheme's criteria for permanent incapacity. Those in the 50/50 option have full ill-health and death cover. Membership that was built up before 1 April 2014 continues to provide benefits as it did at the time. Membership from 1 April 2008 to 31 March 2014 therefore provides final salary pensions based on 60ths. Membership before that also provides final salary benefits, based on 80ths. Members can normally exchange some annual pension for a larger lump sum at a rate of 1:12, in other words, every £1 of annual pension foregone produces £12 of lump sum. HMRC limits apply.

*Generally a minimum of two years membership is required to draw retirement benefits*

## Age of retirement

Normal pension age is age 65 or State pension age, whichever is the later, but:

- Pension benefits are payable at any age if awarded due to ill health;
- Members may retire with unreduced benefits from age 55 onwards if their retirement is on grounds of redundancy or business efficiency;
- Members may retire early at their own choice from 55 onwards and employer approval is not required. But generally early retirement reductions will apply.
- Members who have left employment may request payment of benefits from age 55 onwards, but actuarial reductions may apply where benefits come into payment before normal pension age;
- Members who remain in employment may also ask to retire flexibly from age 55 onwards if they reduce their hours of work or grade. Employer consent is required and actuarial reductions may apply;
- Payment of benefits may be delayed beyond normal pension age but only up to age 75.

There are also various protections regarding membership that are linked to earlier normal retirement ages that applied in earlier versions of the Scheme.

## Benefits on death after retirement

A death grant is payable if less than ten years pension has been paid and the pensioner is under age 75 at the date of death, in which case the balance of ten years pension is paid as a lump sum. Pensions are also normally payable to the member's spouse, civil partner, eligible cohabiting partner and any eligible dependent children.

## Benefits on death in service

A lump sum death grant is payable, normally equivalent to three years assumed pay. The administering authority has absolute discretion over the distribution of this lump sum among the deceased's relatives, dependants, personal representatives or nominees. Pensions may also be payable to the member's spouse, civil partner, eligible cohabiting partner and eligible dependent children.

## Cost of living increases

Career average pensions that are being built up, and pensions in payment, are increased annually to protect them from inflation. Pensions Increases are currently in line with the Consumer Prices Index.