



# Opting out of the Scheme

***This leaflet provides information on the benefits of being a scheme member, and what happens to your benefits if you choose to opt out of the scheme.***

## Opting out

You might be thinking of opting out of the pension scheme for a variety of reasons. Whatever the reason, it's worth spending five minutes reading this leaflet to find out what you would be giving up.

### Things to think about before you opt out of the scheme

- It costs less than you might think to be in the Local Government Pension Scheme (LGPS). As a scheme member, you will receive tax relief on the pension contributions you make. So, if you opt out of the scheme, you will likely pay more tax.
- The LGPS is one of the best occupational schemes in the UK and provides a number of benefits, some of these are listed below.
- You will not be able to access your pension benefits until you leave the employment from which you have opted out, even if you have reached your normal pension age\*.
- If you opt out of the scheme, receive deferred benefits and subsequently re-join, you will not be able to combine your benefits with your new pension membership, which may make it harder to access your current benefits if you retire early.
- Have you considered the 50/50 section instead? The 50/50 section allows you to pay half of your current contribution rate but build up half the pension. You would still retain full life assurance cover. For more information on this please see the 'Member contributions and Flexibility' leaflet.

### Some of the main benefits provided by the scheme

- A secure pension, payable for life and adjusted each year to take account of inflation.
- The option to take a tax free lump sum when you retire.
- A lump sum death grant of 3 times your pay, payable to whoever you nominate, if you die in service.
- A survivor pension for your spouse, civil partner, eligible cohabiting partner and/or eligible children.
- A pension if you become too ill to work (subject to satisfying certain conditions).
- Flexibility to draw your benefits between 55 and 75 (reductions will apply if drawn before normal pension age\*).
- Immediate payment of unreduced pension benefits if you are made redundant at age 55 or over.
- Tax relief on your pension contributions.
- The flexibility to increase your benefits by paying extra.

### And did you know?

- You get life cover from the moment you join the scheme.
- You receive tax relief on any additional contributions you make.
- There are no hidden fees or charges.
- You pay a set percentage contribution rate based on the level of your pay.
- Your pension benefits are not affected by any changes in share prices or the stock market. In other words no investment risks.
- Whether your pension is in payment or deferred it is still adjusted each year to take account of inflation.

### Your employer contributes too

As well as the contribution you pay into the scheme each month, your employer will also pay contributions into the scheme. The amount they pay could be 2 to 3 times the amount that you contribute. You are unlikely to receive this benefit from a private pension.

## What happens to the money you have paid in?

### **Post 2014 service only**

If you opt out of the LGPS before completing 3 months membership, you will be treated as never having been a member of the scheme on that occasion and your employer will refund the contributions through your pay.

If you opt out of the scheme with 3 or more months membership, but less than two years, you may be able to take a refund of your contributions (less any statutory deductions) or you can choose to transfer your pension out to another pension scheme.

If you've been in the scheme for more than two years, you will automatically become a deferred member of the scheme. Please see the 'Deferred' leaflet.

We will confirm your entitlement and the options available shortly after you opt out.

**If you opt out of the scheme on or after 11 April 2015, you will not have the option to join your deferred benefits with your new LGPS benefits should you re-join the scheme at a later date.**

### **Pre and Post 2014 service**

If you were in the scheme before 1 April 2014 and opt out on or after that date with 3 or more months membership and before completing 2 years membership, you may have the option of taking a refund of contributions (less any statutory deductions) or having deferred benefits.

## Deferred Pension Benefits

If you have opted out of the LGPS and have been awarded a deferred benefit, you should consider the leaflet 'Deferred Benefits' for more detailed information.

***Remember, if you opted out of the pension scheme, but are still in the same employment, your deferred benefits will only become payable once you have ceased that employment – even if you have reached your normal pension age.***

\*Normal pension Age in the LGPS is linked to your **State Pension Age** (but with a minimum of age 65) for members with service in the scheme after 1 April 2014.

### **Your Pension Service**

E-mail: [AskPensions@localpensionspartnership.org.uk](mailto:AskPensions@localpensionspartnership.org.uk)

Or visit our website: [www.yourpensionservice.org.uk](http://www.yourpensionservice.org.uk)

### **Acknowledgement and Disclaimer**

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