

WEST MIDLANDS



PENSION FUND

This leaflet provides information about "Opting Out" of the Local Government Pension Scheme (LGPS) before ceasing your current employment.



# OPTING OUT

WEST MIDLANDS PENSION FUND  
*...a can do, will do organisation*



INVESTOR IN PEOPLE CUSTOMER SERVICE EXCELLENCE

It may be that you have taken this decision before you started work, or that you have reached this decision after being a member for a while, but we ask that you give this matter your attention for a few moments by reading the enclosed information. No one, least of all the Pension Fund or your employer, will force you to join the Scheme, but if you elect not to be a member you should understand the implications for you and your dependants.



There are many reasons people give for not joining...

- I'm not paid enough
- My "other half" will look after me
- It's not safe enough
- I've found a better deal elsewhere
- It's too far away to worry me



# OPTING OUT



...and as administrators of one of the largest public sector pension funds in the UK, we've listened to these and many other concerns.

Despite recent press speculation with regards to the funding of the Local Government Pension Scheme or the way in which the benefits are calculated and at what age, the LGPS remains one of the best occupational schemes in the UK.

Your employer contributes to the Scheme and this alone could be worth up to twice the amount that you pay into it.

If you choose not to be a member, your employer cannot pay into any other type of arrangement in preference to the LGPS. If you opt out you'll lose out on your employer's pension contribution.

## Thinking About Rejoining the Scheme Later?

You should ask your employer if you will be allowed to rejoin the LGPS at a later stage. This is an important option which you should consider before making any other decision regarding your pension rights. You are unable to rejoin the LGPS beyond age 65.

**You should be aware that your employer can refuse to allow you back into the Scheme. For example, if you opt out on two separate occasions during the same employment you may not be allowed to rejoin.**

Even though you could take out a personal pension plan in preference to membership of the LGPS, it is very unlikely that the benefits from such a plan will be as good as the quality benefits provided by the LGPS. If you are opting out of LGPS membership due to advice you have received, you should ask for this advice in writing.



The LGPS is one of the best occupational pension schemes in the UK and, by being a member, you will enjoy the complete range of secure quality benefits.

Whilst a member of the Scheme, your benefits will continue to grow as your membership and earnings increase. We'll issue you with an annual statement which will provide details of the benefits you have accumulated to date. You'll also have the facility to increase your benefits by increasing your contributions (contact us for more details). As and when you leave the Scheme, it is the membership that you have acquired that will determine the range of benefits to which you are entitled.

## Benefits of LGPS Membership

- Employer contributions.
- Guaranteed pension that increases each year in line with price inflation.
- Tax-free cash lump-sum.



- Spouse's pensions.
- Children's pensions.



- Enhanced benefits paid early if you retire because of ill-health.

- Death-in-service benefits of twice pay.
- Early payment of benefits subject to your employer's consent.
- Scheme contributions attract Income Tax relief and National Insurance savings.
- Additional contribution schemes available to help you achieve even bigger benefits.

## Leaving the Scheme With Less Than Three Months' Membership

A refund of your contributions is payable if you have less than three months in the Scheme, provided that you are not re-entering the Scheme within one month and one day, and you are not ceasing membership on or after the start of the tax year during which you attain State pension age.

**A refund is not available if your membership includes a transfer from another pension scheme. Refunds are not permitted if you have another period of LGPS membership that entitles you to deferred benefits or if you are in receipt of an LGPS pension from an earlier period of employment.**



A refund of contributions is subject to the following deductions:

- a) An amount equal to your share of a statutory payment known as a **Contributions Equivalent Premium (CEP)**, which must be paid to the Department of Social Security to secure the preservation of your pension rights in the **State Second Pension (S2P)**, formerly known as **State Earnings Related Pension Scheme (SERPS)**. This deduction doesn't apply for women who have been paying reduced 'E' rate National Insurance contributions, and
- b) a tax deduction currently equal to 20% of the remaining balance, after the deduction of any CEP.

If you do not wish to take a return of your contributions you can consider transferring your LGPS pension rights. If you are at present uncertain as to whether you will transfer your pension rights or receive a refund you must let us know within 12 months of opting out that you wish to defer your decision. If, ultimately, you do not rejoin the Scheme or you do not elect to transfer your accrued pension rights, your only option is to receive a refund of your contributions.

## Leaving the Scheme With Three Months' or More Membership

**The period of membership required to establish entitlement to deferred benefits was reduced on 1 April 2004 from two years to three months.**

### Deferred Benefits

If you have at least three months' membership in the LGPS you will be pleased to know that you qualify for deferred benefits; which means that you have the right to be paid benefits when you reach normal retirement age. Deferred benefits consist of a yearly pension (which is fully index-linked to protect its value against price inflation) and a tax-free cash lump-sum. **Note: A refund of contributions is no longer payable.**



### Payment of Deferred Benefits

Both your pension and tax-free cash lump-sum normally become payable after leaving your job when you attain age 65.

### Pension Increases

All benefits are fully index-linked both before and after they have been brought into payment. Increases are made in line with the **Retail Prices Index (RPI)**, and are not limited to a maximum of 5% as in many other pension schemes.

### Benefits Payable – How Your Pension is Calculated

Your annual pension is calculated like this:

$$\boxed{1/80} \times \boxed{\text{FINAL PENSIONABLE PAY}} \times \boxed{\text{PERIOD OF MEMBERSHIP}} = \boxed{\text{YEARLY PENSION}}$$

Your tax-free cash lump-sum is calculated like this:

$$\boxed{\text{YEARLY PENSION}} \times \boxed{3} = \boxed{\text{TAX-FREE CASH LUMP-SUM}}$$



### Early Payment of Benefits

Benefits can be paid from age 55, subject to your employer's consent.

Please refer to an All About Your Scheme booklet for further details as benefits may be reduced if you elect to receive them prior to age 65. Benefits not subject to a reduction may be payable (at any age) if you become permanently ill, and the illness prevents or would have prevented you from continuing with your local government employment. In these circumstances you should apply to your former employer who may authorise the early payment of your deferred benefits.

Unreduced benefits can also be paid early on compassionate grounds from age 55. Applications must again be made to your former employer, not the Fund.

### Dependant's Benefits

Should you die before your deferred benefits come into payment, the current value of your tax-free cash lump-sum (after allowing for index-linking up to the date of death) would be payable to your Nominated Beneficiary or to your Estate.

A pension will also be payable to your spouse and/or any eligible child(ren) in appropriate circumstances. You should ensure that you have completed and updated, as appropriate, any Nomination Form issued to you.



## Transfer of Pension Rights

### Personal Pension Plans/Section 32 Buy-Out Bonds/Stakeholder Pensions

If you are interested in transferring the value of your accrued pension rights to another occupational pension scheme (outside of Local Government), to a personal pension plan, to a stakeholder pension scheme or to a buy-out insurance policy you can ask for a transfer value quotation to be provided (known as the 'cash equivalent' transfer value). Under provisions introduced by the Pensions Act 1995, a quotation must be guaranteed for a period of three months from the date on which it was calculated (the 'Guaranteed Date'). A written option to proceed with the guaranteed transfer value must be received within the three month guarantee period. If you opt to proceed, the normal time limit for the Scheme to pay the guaranteed transfer value will be six months from the 'Guarantee Date'. If the Scheme does not make payment within this period it will need to recalculate the value as at the actual date of payment and pay the recalculated value or, if it is greater, the original value plus interest.

Transfer values are calculated in accordance with the terms and conditions of the Local Government Pension Scheme Regulations 1997 (as amended) which comply with requirements of the Pension Schemes Act 1993.

### WARNING:

**A personal pension representative must have an extremely good reason before recommending that anyone should take out a personal pension plan and/or transfer their accrued pension rights, in preference to the quality benefits that could be provided as a member of the LGPS. Unfortunately, during recent years, many members have received wrong advice about leaving the Scheme. This may have resulted in the misselling of a personal pension plan.**

Most financial advisers/sales representatives earn commission for the pension products they sell. Any commission payable is offset against your plan - i.e. you pay for it. You should ask any adviser that produces information for you to confirm these details, if appropriate.



The money you put into these plans is often invested in the stock market so the value of your investment can go down as well as up.

The amount of pension payable from these plans cannot be determined until the day you retire and that will be of little use to you if the stock market crashes on the same day. Unlike the LGPS there are no guarantees.

Also, insurance companies, banks, building societies etc. will charge administration costs, policy fees and other expenses to your plan. The costs of administering the LGPS are met by your employer, so taking out a personal pension plan may end up costing you more.

You will have no legal redress on Wolverhampton City Council or your former employer if your personal pension plan or Section 32 Buy-Out Bond does not match your expectations.

### Further Options

If you cease your current employment, further transfer options become available. For instance, you may transfer your accrued pension rights to another LGPS fund or to another employer's pension scheme.

### Transfer Information

If you require any further information about transferring your accrued LGPS rights please contact our **Helpdesk** on **0845 230 1665**.

We will be pleased to assist you in any way we can.



## Change of Address

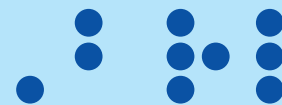
We need to ensure that members are kept up to date with Scheme changes and/or to inform members of any general pension issues. Information is included with Annual Benefits Statements. As these are issued to home addresses, please ensure that you keep us informed of any changes.

### How Do I Tell the Fund About a Change of Address?

Simply write to us giving your personal reference number which is shown on all your correspondence.

If you prefer, you can contact us via e-mail, fax or minicom using the **CONTACT DETAILS** shown on the back page.

Members who have registered a password can contact our Helpdesk who, after verification, will be happy to take change of address details over the phone.



## large sight text

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Information produced by the Fund can be made available in several formats including large sight text, Braille and several community languages. If you have any special requirements or would like to speak face to face with a member of staff, please contact us to arrange how we may best meet your needs.

Please remember that special requirements may take a little longer than normal to organise, but you have our assurance that we will do our best to ensure you receive the information in the most appropriate and efficient manner possible.

## Help and Information

### Further Information

We will ensure that all of our members are provided with relevant further information on request.

### Comments and Complaints

We welcome and value your comments on the standards of service we provide. If you have any comments you wish to make please contact us at the address shown at the bottom of the page.

We would also like to hear from you if you are not satisfied with the way you have been treated. If you wish, you can speak to Mike Woodall, the Chief Pensions Officer, on his personal number (01902) 554610 on any weekday between 9.00 and 9.30am or via e-mail: [mike.woodall@wolverhampton.gov.uk](mailto:mike.woodall@wolverhampton.gov.uk)

If you wish to make a formal complaint you can write to:  
**Complaints and Compliments**  
Office of the Chief Executive  
Civic Centre  
St. Peter's Square  
Wolverhampton  
WV1 1NX

#### Data Protection

To protect any personal information held on computer, Wolverhampton City Council is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact the City Council's Data Protection Officer on (01902) 554498, via e-mail at [dataprotection@wolverhampton.gov.uk](mailto:dataprotection@wolverhampton.gov.uk)  
**This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.**

#### Write:

West Midlands Pension Fund  
PO Box 3948  
WOLVERHAMPTON  
WV1 1XP

#### Tel:

0845 230 1665 (Helpdesk)

#### Fax:

0845 230 1565

#### Minicom:

01902 554607 (Typetalk facilities)

#### Website:

[www.westmids-pensions.com](http://www.westmids-pensions.com)

#### E-mail:

[PensionFundEnquiries@wolverhampton.gov.uk](mailto:PensionFundEnquiries@wolverhampton.gov.uk)

*Calls may be monitored for training purposes.*