

## LOCAL GOVERNMENT PENSION SCHEME (LGPS) INTRODUCTION TO THE LGPS

The LGPS is a defined benefits scheme meaning the benefits accrued are defined in legislation and therefore set out in law. There are set formulae and strict regulations governing how benefits are calculated and paid.

### THE COST TO BE A MEMBER OF THE LGPS


In the LGPS, you pay pension contributions each month based on your annual pay. Your employer also pays a monthly contribution. The amount you and your employer pay are not related to how we calculate your pension benefits. The contribution bandings for the 2023/24 financial year are as follows:

2023/24	Main Scheme	50/50 Scheme
Actual Pensionable Pay	Gross rate	Gross rate
Up to £16,500	5.5%	2.75%
£16,501 to £25,900	5.8%	2.9%
£25,901 to £42,100	6.5%	3.25%
£42,101 to £53,300	6.8%	3.4%
£53,301 to £74,700	8.5%	4.25%
£74,701 to £105,900	9.9%	4.95%
£105,901 to £124,800	10.5%	5.25%
£124,801 to £187,200	11.4%	5.7%
£187,201 or more	12.5%	6.25%

Your contributions attract tax relief meaning the net cost is less than the gross cost for taxpayers.


### HOW YOUR PENSION IS CALCULATED

Under the current scheme, your pension builds each year at **1/49th** of your pensionable pay. The pension amount accrued each year is then revalued in line with the Consumer Price Index (CPI). Please note, that while your pension might be expected to increase each year, the pension amount could be reduced if CPI is negative.




Annual salary

×



1/49th  
Pension rate

=




Year 1

For example, Tom earns £20,000, so his pension in year 1 is worked out as:  
£20,000 x 1/49th = £408

Maintaining your pension's value

\* Revalued by 4% each year



Year 1

The £408 that Tom earns in year 1 is revalued at the end of the next year. So at the end of year 2, this part of Tom's pension is £408 x 1.04 = £424.

\* = This is an assumption for example purposes

## CONTRIBUTION FLEXIBILITY

There is an option to opt into the 50/50 scheme. What this means is that your pension contributions are halved. This can be seen in the above contribution table. However, this will also halve your pension accrual rate so that your pension is instead calculated using **1/98th** of your pensionable pay.

Please note that if you join the 50/50 scheme you will be enrolled back into the main scheme on your employers next automatic enrolment date. The 50/50 scheme is not designed to replace full scheme membership permanently.

## TRANSFERRING PREVIOUS PENSIONS INTO THE LGPS

You may be able to transfer a previous pension into the LGPS from your previous pension provider. You only have 12 months from joining the LGPS to transfer a previous pension into the scheme.

For information on how to transfer a previous pension into the scheme please refer to our transfer leaflet. The leaflet can be found on our website under the resources section: <https://isleofwightpensionfund.org/resources/>. The transfer leaflet can be located by searching *Transfer in Leaflet* in the keyword field.

## DEATH BENEFITS

The LGPS provides valuable life cover and financial protection for your family. Providing you have met the two-year vesting period, a pension is provided for your spouse, registered civil partner or, subject to certain qualifying conditions, your eligible cohabiting partner and to your eligible children.

A lump sum death grant will be payable if you die whilst an active member of the scheme. We strongly advise that you complete your expression via our online portal, Member Self Service (MSS).

## LEAVING BEFORE RETIREMENT

If you leave the LGPS before you retire, you can choose what happens to the membership you have accrued whilst a member of the scheme. The choices you have depend on how long you have been a member.

If you have been a member for less than **two years** (and have not transferred pension rights into the LGPS):

- You can claim a refund of the pension contributions you have paid into the scheme.
- You may be able to transfer your benefits to a new pension arrangement.
- You can delay your decision for 5 years until you know what you would like to do.

If you have been a member for more than **two years** (or have transferred pension rights into the LGPS):

- You can choose to keep your pension in the LGPS. This is known as a deferred pension and will increase every year in line with the cost of living.
- You may be able to transfer your pension to a new pension arrangement, although you may need to receive independent financial advice before you do so.

## PURCHASING ADDITIONAL PENSION BENEFITS

There are currently two ways of making additional pension contributions:

- **Additional Voluntary Contributions (AVCs) with the Prudential** - This is a monthly contribution into a private pension provider. When you retire you can access this with your LGPS benefits.
- **Additional Pension Contributions (APCs)** - You purchase a fixed amount of additional pension within the LGPS.

If you are interested in making additional contributions into the scheme, please contact us for further information.

## RETIREMENT OPTIONS

**Voluntary Retirement** – Your pension is payable from your normal retirement age without reduction. Your normal retirement age is linked to your state pension age. The earliest at which you can choose to retire is from age 55. However, if you choose to retire before your normal pension age your benefits will be reduced because they are paid earlier and for longer. How much your benefits are reduced depends on how early you retire.

**Flexible Retirement (Employer's Consent Required)** – From age 55, if you reduce your hours or move to a less senior position, you may be able to start receiving some or all of the pension benefits you have built up even though you are still working. This may help you ease into retirement. You can still build up further pension in the LGPS. You must have your employer's permission for flexible retirement.

**Redundancy (cover from age 55)** – If you lose your job because of redundancy or business efficiency, provided you are aged 55 or over and you meet the 2 year vesting period, your main scheme benefits are payable immediately without any early retirement reductions.

**Ill Health Retirement (any age)** – To qualify for ill health benefits you have to have met the 2 years vesting period in the scheme and your employer, based on an opinion from an independent occupational health physician appointed by them, must be satisfied that you will be permanently unable to do your own job until your normal retirement age and that you are not immediately capable of undertaking gainful employment.

## OUR ONLINE PORTAL

Our online portal, Member Self-Service (MSS), is the most effective means of understanding your pension. If you are not currently signed up to our online portal please go to [www.iwcpensions.co.uk](http://www.iwcpensions.co.uk) to register. For instructions on how to sign up, please visit our resource page: <https://isleofwightpensionfund.org/resources/>. The sign up guide can be located by searching *Member Self Service (MSS) Registration Guide* in the keyword field.

When you are signed up to MSS, you are able to:

- View your pension record
- View your Annual Benefit Statements
- Update your contact details
- Update your death grant nomination
- Run retirement quotations for your intended retirement date

## Contact Us

If you would like further information about the LGPS, you can contact us:

**Pension Admin Team, Isle of Wight Council Pension Fund,  
Business Centre, County Hall, Newport, Isle of Wight PO30 1UD**

Email: [pensions@iow.gov.uk](mailto:pensions@iow.gov.uk)

MSS online portal: <https://www.iwcpensions.co.uk>

Telephone: 01983 823626

Website: IWPF <https://www.isleofwightpensionfund.org>