



North East Scotland Pension Fund  
**nespf**



**GUIDE TO**

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# **The Fund for Prospective Members**

***When it's time to retire, will the State Pension be enough? The State Pension only provides a basic level of income so planning ahead is vital to ensure you get the retirement you want. With the Local Government Pension Scheme (LGPS) you have a head start.***

## Why Join?

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The LGPS is one of the best ways to plan for retirement with a range of benefits including:

- A secure pension underwritten by Government, making it **guaranteed by law** – so you don't have to worry about poor investments or economic downturns affecting your pension
- Your employer pays in too, covering around 2/3rds of the cost of your pension
- You will receive **tax relief** as your pay is taxed after your contributions have been deducted
- Security for your loved ones with pensions are available for a spouse or partner, and any eligible children in the event of your death
- An additional tax-free lump sum of 3 x salary should you die in service
- **Options to pay more or less** – you can boost your pension by paying more or if you need to, you can reduce your contributions
- Option to convert some of your pension for a **tax-free cash lump sum** when you retire
- A pension which keeps up with the cost of living, so as prices rise, so too does your pension
- **Early retirement** is available from age 55
- Flexible, ill health and redundancy & efficiency retirements are available too

## How Much does it Cost?

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How much it costs depends on how much you earn. If you have more than one job or contract in the LGPS you will have a contribution rate for each position based on how much you earn in that role. Contribution rates are outlined below:

Rate of Pay	Contribution Rates
On earnings up to £23,676	5.5%
On earnings between £23,677 and £30,765	Between 5.6% and 6.0%
On earnings between £30,766 and £38,635	Between 6.1% and 6.5%
On earnings between £38,636 and £54,488	Between 6.6% and 7.5%
On earnings between £54,489 and £61,386	Between 7.6% and 8.0%
On earnings between £61,387 and £82,194	Between 8.1% and 9.0%
On earnings between £82,195 and £124,346	Between 9.1% and 10.0%
On earnings on and above £124,347	10.1% and over

Your employer will tell you your contribution rate when you join the scheme.

**Too expensive?** With the 50/50 option, you can half your contributions. Although you'll only build up half the pension in 50/50, even saving a little will help in the long run.

## How is your Pension Calculated?

Every year you build up a pension worth  $1/49^{\text{th}}$  of your pensionable pay. At the end of every year, on 31<sup>st</sup> March, your benefits are re-assessed against inflation. For example, a member who earned £10,000 would build up £208.08 in pension in their first year in the scheme (i.e.  $£10,000 \div 49$ ). Inflation is then added. The example below shows pension building up over 3 years:

<b>Year 1</b> Pay £10,000	Pension <b>£204.08</b> (£10,000÷49)	+	1% Inflation	=	<b>£206.12</b>
<b>Year 2</b> Pay £10,500	Pension carried forward <b>£206.12</b>	+	Pension <b>£214.29</b> (£10,500÷49)	+	3% Inflation = <b>£433.02</b>
<b>Year 3</b> Pay £11,000	Pension carried forward <b>£433.02</b>	+	Pension <b>£224.49</b> (£11,000÷49)	+	2.5% Inflation = <b>£673.95</b>

So in this example, if the person retired after 3 years, their annual pension would be **£673.95**.

## When Can You Retire?

There are a number of different retirement packages available including early retirement, flexible retirement, ill health retirement and redundancy & business efficiency retirement. You can choose to retire any time between age 55 – 75. However, your pension may be reduced if you choose to retire before your Normal Pension Age (NPA). NPA is simply the age you can retire and take your pension in full. In the LGPS your NPA is the same as your State Pension Age (with a minimum age of 65).

You can find out your state pension age at [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)

## Automatically Joining the Scheme

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Your employer may automatically put you into the pension scheme to comply with pension regulations. To find out whether or not you will be put in the scheme, please speak to your employer.

## Want to Know More?

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This is only a brief outline of the scheme. If you want to know more, you can get further information on our website at [www.nespf.org.uk](http://www.nespf.org.uk). Alternatively you can contact us at 01224 264 264 or email [pensions@nespf.org.uk](mailto:pensions@nespf.org.uk)

### DISCLAIMER

The information in this guide is based on the Local Government Pension Scheme (Scotland) Regulations 2018 and other relevant legislation. It applies to people who were contributing members of the Local Government Pension Scheme on 1 April 2015 or who have since joined the Scheme. This guide was up-to-date at the time of publication in 2022. It is for general use and cannot cover every personal circumstance, nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this guide does not confer any contractual or statutory rights and is provided for information purposes only.