

**OPTING OUT OF THE LGPS**

Pensions Helpdesk (01224) 045 045

E-mail: pensions@nespf.org.uk

Web: www.nespf.org.uk

**WHAT YOU NEED TO KNOW**

Before deciding whether to opt out of the Local Government Pension Scheme (LGPS) you should consider carefully the types and ranges of benefits provided by the Scheme. Detailed information is available in our *Brief Guide to the LGPS* which is available from the Pension Fund or for download from our website.

In most cases, you will pay more in tax if you opt out. You will also lose valuable protection for your dependants and contributions from your Employer, who meets a large part of the cost of providing these benefits. You may wish to take independent financial advice before making a decision to opt out.

It may be worth considering our 50/50 scheme, in which you pay half contributions and build up half the pension, while still retaining all death in service benefits. You can find out more about this here: <https://www.nespf.org.uk/active-member/your-pension/reducing-your-contributions/>

Your Employer cannot ask you or force you to opt out. If they do, you should contact The Pensions Regulator at **www.tpr.gov.uk**.

If you are satisfied that you do not wish to be an active member of the Scheme, you should complete the form attached and forward it to your Employer so that they can stop contributions being deducted from your pay.

Members with multiple posts can opt out in respect of all or some of their posts. Please specify which post(s) you wish to opt out in Section A; otherwise we will assume you wish to opt out of all your posts.

# Purpose for which this form will be used

# This form, once completed and returned to your Employer, will be used to stop your active membership of the LGPS as per your instructions on this form. The form will be retained as a record of your election to stop membership of the LGPS or, if you hold multiple posts, as a record of your election to stop membership in the post or posts you have indicated on the form.

Data Protection:

The Fund collects and holds certain personal information about you which is required to administer your pension. This form will be retained as a record of your election to opt out of the scheme. All data is managed in accordance with the Data Protection Act 2018 and General Data Protection Regulations (GDPR). You can find out more about how your data is used and protected by reading our Privacy Notice available online at <http://www.nespf.org.uk/TheFund/DataProtection/data_1.aspx>

# GUIDANCE NOTES

1. The “date of election” is the date you sign this form. If your date of election is within three months of starting employment, any contributions paid will be refunded to you by your Employer. You cannot opt out of the Scheme before joining, so the date of election must be the same or later than the date on which you began the employment.

2. If you have another job with another employer, that employer might also put you into a pensions saving scheme, now or in the future. This notice only allows you to opt out of the LGPS with the Employer and in the post(s) you name in Section A. You will have to complete a separate notice, which you will need to obtain from that pension saving scheme, if you wish to opt out of that scheme too.

3. If you opt out of the LGPS within 3 months of joining you will be treated as never having been a member, and will receive a refund of contributions from your Employer. If you have been a member for 3 months or more you may be entitled to a refund of contributions from the Pension Fund or to deferred benefits (see Section B for your options).

4. You can rejoin the LGPS or any other pensions saving scheme offered by your Employer at any time, provided you are under 75 and in a qualifying employment. You may need to write to your employer if you wish to opt back in.

5. If you stay opted out, your Employer will normally put you back into pensions saving scheme in around 3 years. If you change your job, your new employer will normally auto-enrol you into pensions saving straight away.

**EXISTING LGPS PENSION RIGHTS – YOUR OPTIONS**

As a current member opting out of LGPS membership, you must indicate how you wish your existing pension rights to be treated.

## You may be entitled to a refund of the contributions you have paid to the LGPS, less income tax and a premium paid to HM Revenue & Customs (HMRC) to contract back in to the State Second Pension.

A refund is not available if your election to opt-out is 3 months after starting employment and:

* you have two or more years’ total membership in the LGPS
* you have transferred-in membership, no matter how short your period of membership
* you rejoin the LGPS within one month and one day of opting out
* you have concurrent employments in the LGPS (Scotland) and have only left or opted out of one of those employments
* you are in receipt of a pension or you have deferred benefits, a Pension Credit or a frozen refund in the LGPS (Scotland)

**If you claim a refund when you have existing benefits in the LGPS, you will lose your entitlement to those benefits.**

If you request a refund of your pension contributions from the Pension Fund, please also complete the attached bank mandate. All refunds will be made directly to a bank or building society account.

*Note: 20% tax will be taken from any refund of your pension contributions.*

## If you cannot take a refund, your benefits will be preserved and deferred until you come to retire. For more information see our *Guide to Leaving the Scheme Before Retirement*.

## You may also be entitled to transfer all or part of your existing pension rights to another pensions savings scheme. If you join another scheme, you should tell your new pension provider about your deferred benefits, whether or not you plan to transfer them.

Now remove and keep these notes. Complete Sections A, B and C on the next two pages. Then send Sections A – F to your Employer so that they can stop your pension contributions as soon as possible. We will contact you when we receive this form from your Employer.

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**OPTING OUT FORM**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **SECTION A – MEMBER DECLARATION** | | | |  |
|  |  | | |  |
| **Full Name (Include title e.g. Mr/Ms/Dr):** |  | | |  |
|  |  | | |  |
| **Home Address:** |  | | |  |
|  |  |  |  |  |
| **Date of Birth:** |  | **National Insurance No:** |  |  |
|  |  |  |  |  |
| **Daytime Telephone No:** |  | **Employer:** |  |  |
|  |  |  |  |  |
| **Job Title:** |  | **Payroll Number/ Unique Identifier (if applicable)** |  |  |
|  |  |  |  |  |
| **Job Title:** |  | **Payroll Number/ Unique Identified (if applicable)** |  |  |
|  |  |  |  |  |
| **Job Title:** |  | **Payroll Number/ Unique Identified (if applicable)** |  |  |
|  |  |  |  |  |

I declare that by opting out of the LGPS I am knowingly giving up the opportunity to participate in the LGPS which would provide a package of benefits including:

* a pension that is secure and **guaranteed by law**
* a pension which is **payable for life** after retirement and will increase in line with the cost of living
* the option to swap some of my pension for a **tax-free lump sum** at retirement
* voluntary **retirement from age 55** (increasing to 57 from 6 April 2028), even though the scheme’s normal pension age is the same as your state pension age with a minimum age of 65
* an **ill-health pension** available at any age if I retire due to serious illness (my pension could even be increased if ill health meant I would be incapable of gainful employment within three years of leaving)
* **redundancy cover** with early payment of my pension benefits if I am made redundant or retired on business efficiency grounds at 55 (increasing to 57 from 6 April 2028) or over
* **Flexible retirement** options which allow me to take some of my benefits but continue to work, helping me ease into retirement
* a death in service lump sum of three times my pay
* **protection for my family** upon my death, including either a widow’s, widower’s, civil partner’s or cohabiting partner’s pension as well as children’s pensions

I have read the above and I confirm that I wish to opt out of pension saving in the post(s) I have indicated on this form.

I understand that if I opt out I will lose the right to pension contributions from my employer.

I understand that if I opt out I may have a lower income when I retire.

Signed

Date of Election

|  |  |
| --- | --- |
| **SECTION B – OPTIONS FOR EXISTING PENSION RIGHTS** |  |

Please indicate your preferred option by marking the appropriate box.

**Option One:** I have less than two years Scheme membership but I am not eligible to receive a refund as I am still participating in the LGPS in another employment; or, I have existing benefits in the LGPS; or, my Scheme membership includes transferred-in membership. I therefore wish to preserve and defer my existing rights.

**Option Two:** I have less than two years Scheme membership and wish to receive a refund of my contributions as I have no other pension rights in the LGPS.**\***

(NB: If your total membership is more than 3 months the refund will be made by the Pension Fund and will be subject to 20% tax. This will not be available until one month and two days after date of election. You must complete the bank mandate overleaf for the Pension Fund to refund your contributions. If you have a total membership of less than 3 months your employer will refund your contributions.)

**Option Three:** I have two or more years existing membership of the Scheme and wish to preserve and defer my existing rights.

**Option Four:** I wish to investigate the transfer of my existing rights to another pension scheme. I will inform my new pension provider that I have benefits to transfer.

\* I acknowledge that if I make a false statement, any payment of a refund will mean that I cease to be entitled to any other pension benefits I have in the LGPS in Scotland and that I will have no further claim on the relevant Pension Fund, administering authority or employing authority in respect of those benefits.

|  |  |  |
| --- | --- | --- |
| **SECTION C – BANK MANDATE**  **To be completed by members where relevant** | |  |
|  |  |  |
| Name of Account Holder: |  |  |
|  |  |  |
| Home Address: |  |  |
|  |  |  |
| Name of Bank / Building Society: |  |  |
|  |  |  |
| Branch: |  |  |
|  |  |  |
| Sort Code: | -- |  |
|  |  |  |
| Account Number: |  |  |
|  |  |  |
| Building Society Reference Number: |  |  |
|  |  |  |

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| --- | --- | --- | --- | --- |
|  | | | |  |
| If you have any questions or concerns about completing this form, please contact the Pension Fund or your bank or building society for advice. | | | | |
|  | | | |  |
| Signature: |  | Date: |  |  |
|  | | | |  |

Now return Sections A – F to your employer immediately so that no more deductions will be taken from your pay.

|  |  |
| --- | --- |
| **SECTION D – INFORMATION FROM EMPLOYER**  **To be completed by Employer** |  |

**Employers:** please forward completed form, duly signed, to:

**North East Scotland Pension Fund, Level 1, 2MSq, Marischal Square, Broad Street, Aberdeen, AB10 1LP**

Within 10 days of Employees date of election.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | |  |
| **Full Name**  **(Mr/Mrs/Miss/Ms):** |  | | |  |
|  | | | |  |
| **Date of Birth:** |  | **National**  **Insurance No:** |  |  |
|  | | | |  |
| **Payroll Number:** |  | **Unique Id.**  **(if applicable):** |  |  |
|  | | | |  |
| **Pensionable Pay**  **(Hourly/Weekly/Annually):** |  | **If P/T, state FTE:** |  |  |
|  | | | |  |
| **Contribution Rate:** |  | **Date admitted to Scheme:** |  |  |
|  | | | |  |
| **Effective Date of Election:**  **(the day after contributions ceased)** |  | **Reason for Admission:** |  |  |
|  | | | |  |

The employee opted-out and:

☐ paid no contributions (go to Section F)

☐ opted out within three months of joining – contributions refunded by Payroll (go to Section F)

☐ opted out after three months – Complete Sections E & F

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **SECTION E – INFORMATION FOR OPT OUTS AFTER 3 MONTHS** | | | | |
|  | | | | |
| **Contribution Rate at Effective Date of Election:** |  | **Hourly rate of pay at Effective Date of Election:** |  |  |
|  | | | |  |
| **Pension Contributions**  **Year of Opting out:** |  | **Pension Contributions**  **Year before Opting out:** |  |  |
|  |  |  |  |  |
| **Contracted Out Earnings**  **Year of Opting out:** |  | **Contracted Out Earnings Year before Opting out:** |  |  |
|  |  |  |  |  |
| **NI Contributions**  **Table Letter** |  | **P/T Employees –**  **Hours worked,**  **with effect from** |  |  |
|  |  |  |  |  |

|  |
| --- |
| **SECTION E – EMPLOYEES WITH TWO OR MORE YEARS SERVICE**  (Complete as for PEN 2 Notice of Cessation – see Appendix A in Administration Guide for Employers) |

**FULL-TIME EQUIVALENT PAY – PLEASE COMPLETE FOR ALL EMPLOYEES**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| RELEVANT PERIOD **(See LGPS Benefits Reg. 9 – Final pay)** | | | RATE OF PAY | | AMOUNT PAID(No of days/365) x Annual Rate) |
| **Date from** | **Date to** | **No. of days** | **Hourly Rate (R)** | **Annual Rate**  **(R x FTE hours x 52\*)** |  |
|  |  |  |  |  |
| **\*Use 52 weeks or whatever is applicable** | | | **ALLOWANCES: (See LGPS Benefits Reg. 5 - Meaning of pensionable pay)**  **Current Financial Year for relevant period:**  **Previous Financial Year for relevant period:** | |  |
| **TOTAL:** | |  |

**ACTUAL PENSIONABLE PAY FOR CURRENT FINANCIAL YEAR (Including Assumed Pensionable Pay)**

|  |  |  |  |
| --- | --- | --- | --- |
| **From** | To | Main Scheme | 50/50 Section |
|  |  |  |  |
|  | **TOTALS:** |  |  |

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| **SECTION F – DECLARATION BY EMPLOYER**  **To be completed by Employer** | | | | |  |
|  |  | | | |  |
| I have checked the employee’s details in Section A and have from the effective date of election taken appropriate action regarding pension and National Insurance contributions. | | | | |  |
| **Name:** |  | | | |  |
|  |  | | | |  |
| **Date:** |  | | | |  |
|  |  | |  |  |  |
| **Position:** |  | **Contact Number:** | |  |  |
|  |  | |  |  |  |