# Opting out of pension saving

# Notes for administrators

Regulations 9, 15 and 19 and schedule 1 to the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010 [SI 2010/772] as amended, prescribe that the following information must be included in an opt out form:

* the jobholder’s name
* the jobholder’s national insurance number or date of birth
* the jobholder’s signature or, where the notice is in an electronic format, a statement confirming the jobholder personally submitted the notice
* the date the notice is completed
* a statement from the jobholder to the effect that the jobholder wishes to opt out of pension saving and understands that, in doing so, the jobholder will lose the right to pension contributions from the employer and may have a lower income upon retirement, and
* the wording shown below:

*WHAT YOU NEED TO KNOW*

*Your employer cannot ask you or force you to opt out.*

*If you are asked or forced to opt out, you can tell The Pensions Regulator - see* [*www.thepensionsregulator.gov.uk*](http://www.thepensionsregulator.gov.uk)*.*

*If you change your mind, you may be able to opt back in - write to your employer if you want to do this.*

*If you stay opted out of the scheme, your employer will normally put you back into pension saving in around three years.*

*If you change your job, your new employer will normally put you back into pension saving straight away.*

*If you have another job, your other employer might also put you into pension saving, now or in the future. This notice only allows you to opt out of pension saving with the employer you name in the notice. A separate notice must be filled out and given to any other employer you work for, if you wish to opt out of that employer’s pension saving as well.*

You should note that the relevant legislation also prescribes that:

* a member can only get the opt out form from the Pensions Section of the appropriate administering authority
* the administering authority can make the form available for downloading from their website. The authority must make it clear that it is providing the Pension Section’s part of the website (or the part of the website on which the opt out form is published) in its role as the administering authority, and not in its role as an employing authority. This is because a LGPS employer is not legally allowed to issue the opt out form to a person seeking to opt out. An employer is also not permitted to download an opt out form from the administering authority’s website on behalf of the Scheme member and hand it to the Scheme member.
* the opt out form can only be completed and signed by the Scheme member or, where the notice is in an electronic format, it must include a statement confirming that the scheme member personally submitted the form.

We have designed the sample opt out form that follows to meet the requirements prescribed above. The sample form also includes information for the potential optant out about the benefits they would be giving up.

Administering authorities may choose to design their own opting out forms, which must comply with the requirements of the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010 [SI 2010/772], as amended. Information that must be included in an opt out form to comply with those regulations is shown in blue in the sample form. The purpose of this is to help administering authorities produce a compliant form.

Text in red indicates where the pension administrator should enter details specific to their opt out process. This colour-coding should be removed from the final version of the form.

|  |  |
| --- | --- |
|  | Opting out of the Local Government Pension Scheme in England or Wales |

The Local Government Pension Scheme (LGPS) allows you to save while you are working in order to enjoy a pension once you retire. It is one of the best occupational pension schemes in the UK.

You might be thinking of opting out of the LGPS for a variety of reasons. Whatever the reason, it’s worth taking some time to look at the benefits you could be giving up. A brief summary of these is included in the ‘Declaration’ section of this form. You can also watch the ‘Pensions Made Simple’ videos on [www.lgpsmember.org](http://www.lgpsmember.org). In making your decision, you should also consider that:

* your employer meets a large part of the cost of providing the excellent range of secure benefits offered by the LGPS
* the LGPS is a valuable and important part of your employment package
* in most cases, you will pay more tax if you opt out of the LGPS.A basic rate taxpayer paying pension contributions of £100 a month will pay £20 more tax every month if they opt out
* if you opt out of the LGPS in an employment (other than a concurrent employment) with more than two years’ membership, you will be entitled to a deferred pension. If you later re-join the Scheme, you will not be able to combine your two periods of membership.

Rather than opting out, you might want to consider moving to the 50/50 section of the Scheme. While you are in the 50/50 section, you pay half your normal contributions and build up half your normal pension. This option allows you to remain in the Scheme, building up valuable pension benefits. Joining the 50/50 section provides an alternative to opting out of the scheme in times of financial hardship. A 50/50 option form is available from [*Pension Fund administering* *authority to insert details of where to* *obtain the form*].

If you want to know more about the costs and benefits of being a member

of the LGPS, or of moving to the 50/50 section you can *[Pension Fund administering* *authority to insert details of where to find information / who to contact eg the member can visit* [*www.lgpsmember.org*](http://www.lgpsmember.org/) *which includes a cost and a benefits calculator]*.

Whatever your reasons for considering opting out of the scheme:

* you must give this matter **careful consideration** before making a final decision
* you may wish to take **financial advice** before making a decision to opt out
* if you are opting out of the LGPS due to advice you have received you should **ask for this advice in writing**.

No-one can force you to remain a member of the scheme but, if you elect not to be a member, you should understand the implications both for you and your dependants.

## Opting out of the LGPS – What you need to know:

1. If you are asked to opt out, you can tell The Pensions Regulator – see [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)
2. You cannot opt out of the LGPS before you have started the employment you wish to opt out of, or before your re-enrolment date, if you have opted out previously and are being automatically re-enrolled by your employer. If you sign and date the form before then it will be treated as an invalid opt out.
3. You should return the completed opt out form to your employer’s Payroll Section or Human Resource department.
4. If you have another job with another employer, that employer might also put you into pension saving, now or in the future. This opt out notice only opts you out of LGPS pension saving in relation to the employer and jobs you have named on this form. A separate opt out notice must be filled out and given to any other employer you work for if you wish to opt out of pension saving with that employer as well. You will need to obtain the relevant opt out form from the pension administrators of the scheme provided by that employer.
5. If you opt out of the LGPS before completing three months’ membership, you will be treated as never having been a member. You will receive a refund of any contributions deducted from your pay.
6. If you opt out of the LGPS:

* with more than three months’ but less than two years’ membership, and
* you do not already have a deferred benefit, or pension in payment, from the LGPS in England or Wales

you will normally be able to take a refund of your contributions. There will be a deduction for tax.

1. If you opt out of the LGPS with two or more years’ membership, you will be entitled to a deferred pension benefit in the LGPS. You can only take your deferred pension after you have left your employment, and usually from:

* your normal pension age (which is the same as your State Pension age but with a minimum of age 65) or
* on a reduced basis from age 55 onwards.

Your LGPS pension must be paid to you at age 75 at the latest. Alternatively, you can transfer your deferred benefit to another pension scheme as long as you elect to do this at least one year before your normal pension age.

1. If you decide to opt out of membership of the LGPS and subsequently change your mind, you will be able to rejoin the Scheme provided you are under age 75 and you remain in an employment that qualifies you for membership of the LGPS. You will need to write to your employer if you want to opt back into the Scheme.
2. If you stay opted out, your employer will normally automatically put you back into the LGPS approximately three years from the date they have to comply with the automatic enrolment provisions of the Pensions Act 2008. You will be able to opt out of membership of the LGPS again at that time.
3. If you change employer, your new employer will normally put you back into pension saving straight away.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Opting out of the LGPS (Please complete this form in black ink) | | | | | | | |
|  | Your Personal Details | | | | | | |  |
|  | Surname: | | | | | | |  |
|  |  | | | | | | |  |
|  | First name(s): | | | | | | |  |
|  |  | | | | | | |  |
|  | Title: Mr / Mrs / Miss / Ms / Other (please specify) | | | | | | |  |
|  |  | | | | | | |  |
|  | Your home address: | | | | | | |  |
|  |  | | | | | | |  |
|  |  | | | | | | |  |
|  |  | | | | | | |  |
|  |  | |  | Post code: | | | |  |
|  |  | | | | | | |  |
|  | Your national insurance number: | | | | | | |  |
|  |  | | | | | | |  |
|  | Your date of birth: | | | | | | |  |
|  |  | | | | | | |  |
|  | Your employer’s name: | | | | | | |  |
|  |  | | | | | | |  |
|  | **From when do you wish to opt out of membership of the LGPS?** | | | | | | |  |
|  | Please tick the  relevant box | | | | | | |  |
|  | From the beginning of my next pay period | | | |  |  |  |  |
|  | OR | | | |  | |  |  |
|  | From ……………………………………..*[DD/MM/YYYY]* | | | |  |  |  |  |
|  | *The date entered cannot be before the date you sign this form* | | | | | | |  |
|  | If you hold more than one post with us, we will assume that you wish to opt out of membership of the LGPS in all of those posts. However, if you hold more than one post with us and only wish to opt out of membership in some but not all of those posts, please indicate in the box below the name of the post (or posts) from which you wish to opt out of membership of the LGPS. | | | | | | |  |
|  | Post 1 | Job title: | | | | | |  |
|  |  | Payroll reference for that job (if known): | | | | | |  |
|  |  |  | | | | | |  |
|  | Post 2 | Job title: | | | | | |  |
|  |  | Payroll reference for that job (if known): | | | | | |  |
|  |  |  | | | | | |  |
|  | Post 3 | Job title: | | | | | |  |
|  |  | Payroll reference for that job (if known): | | | | | |  |
|  |  |  | | | | | |  |
| Declaration I declare that by opting out of the Local Government Pension Scheme (LGPS) I am knowingly giving up the opportunity to be a member of the LGPS which would provide a guaranteed package of benefits that are backed by law including:   * **a secure pension** – payable for life that increases with the cost of living * **tax-free cash** –the option to exchange part of my pension for some tax-free cash at retirement * **life cover** – with a lump sum of three times my pay if I die in service * **cover for my family when I die –** including a survivor’s pension for my spouse, civil partner or eligible cohabiting partner as well as children’s pensions   and, once I have two years’ membershipin the Scheme:   * **voluntary early retirement** – from age 55 (even though the Scheme’s normal pension age is the same as my State Pension age with a minimum of age 65). Benefits taken before normal pension age may be reduced for early payment. * **serious ill health cover** – if I have to retire due to serious illness I could receive immediate benefits based on an enhanced period of Scheme membership * **redundancy cover** – early payment of pension benefits if I am made redundant or retired on business efficiency grounds at age 55 or over.   I have read the above and understand that the choices I make now are important in planning for my retirement. **I confirm that I wish to opt out of the pension scheme 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**.  **Please see the notes attached to this form for information about when you can sign, date and return this form. It is important to complete this form fully. We will not accept an incomplete form as a valid option out and the form will be returned to you for completion.** | | | | | | | | |
|  | Signed: | | | | | | |  |
|  |  | | | | | | |  |
|  | Date: | | | | | | |  |
|  | | | | | | | | |

|  |
| --- |
| We will use this form to end your active membership of the LGPS in accordance with your instructions. The form will be retained as a record of your election to end membership of the LGPS, or as a record of your election to end membership in the post or posts you have indicated on the form. |