



## Local Government Pension Scheme Fact Sheet – LGPS Contributions

### What do I pay?

Your contribution rate depends on how much you are paid but it will be between 5.5% and 7.5% of your pay. The rate you pay depends on which pay band you fall into. The pay band ranges are reviewed each April in line with the cost of living.

The pay bands and the rates that apply from April 2012 are:

Standard pay band table	
If your whole time pay rate is:	You pay a contribution rate of:
up to £13,500	5.5%
£13,501 - £15,800	5.8%
£15,801 - £20,400	5.9%
£20,401 - £34,000	6.5%
£34,001 - £45,500	6.8%
£45,501 - £85,300	7.2%
Over £85,300	7.5%

For example, someone who works full-time at a pay rate of £16,000 would pay a contribution rate of 5.9%

**If you work part-time hours** your contribution rate is based on the whole-time pay rate for your job, although you will only pay contributions on the pay you actually earn. For example, someone who works half-time with an actual pay of £11,000 a year will pay a contribution rate of 6.5%, as their whole-time pay rate is £22,000.

**If you work term time weeks** in a role that requires this type of work pattern (e.g. in a school) your contribution rate is based on the whole-time pay rate for term time working, although you will only pay contributions on the pay you actually earn. For example, someone who works full-time hours for 44 weeks a year, with an actual pay of £15,000 will pay 5.8%. If they were to work half-time for 44 weeks with an actual pay of £7,500, then they would still pay 5.8% as their whole-time rate for term time working would still be £15,000.

You pay contributions on your normal salary or wages plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay and any other taxable



benefit specified in your contract as being pensionable.

You do not pay contributions on any non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any payment made by way of compensation to achieve equal pay, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

If you have no contractual hours of employment, contributions are deducted on all your pay up to the full-time hours for your job.

You should check your payslip to make sure that pension contributions are being deducted.

Your contributions are very secure. As the LGPS is set up by Statute, payment of benefits to scheme members is guaranteed by law.

### **What does my employer pay?**

Your employer pays the balance of the cost of providing your benefits after taking into account investment returns. Every three years, an independent actuary calculates how much your employer should contribute to the scheme. The amount will vary, but generally the present underlying assumption is that employees contribute approximately one third of the scheme's costs and the employer contributes the remainder. However, increases or decreases in the cost of providing the scheme may, in future, need to be shared between members and employers, in accordance with government guidance.

### **Do I receive tax relief on my contributions?**

The LGPS is fully approved by HM Revenue and Customs, which means that you receive tax relief on your contributions. To achieve this, your contributions are deducted from your salary before you pay tax. So, for example, if you pay tax at the rate of 20%, every £1 that you contribute to the scheme only costs you 80p net.

### **What about my National Insurance contributions?**

As the LGPS is contracted out of the State Second Pension (S2P) you will, up to State pension age, pay reduced National Insurance contributions on your earnings between the Lower Earnings Limit and the Upper Accruals Point, unless you have opted to pay the married woman's/widow's reduced rate of National Insurance.

### **Can I make extra contributions to increase my benefits?**

You can increase your benefits and / or those for your dependants by paying additional contributions to buy extra LGPS pension, or by making payments to the scheme's Additional Voluntary Contributions (AVC) arrangement, or by paying contributions into a personal pension, stakeholder pension or Free-standing AVC scheme of your own choice. These options are explained in more detail in the leaflet on **Increasing your Benefits**.



## Is there a limit to how much I can contribute?

At the present time there is no overall limit on the amount of contributions you can pay (although there is a limit on the extra LGPS pension you can buy and on the amount you can pay into the scheme's AVC arrangement). However, tax relief will only be given on contributions up to 100% of your UK taxable earnings (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme). Additionally, under HM Revenue and Customs rules there are controls on the pension savings you can have before you become subject to a tax charge - these will mainly affect some higher paid people. To find out about these controls, see the leaflet on **Tax Controls and your LGPS Benefits**.

## More information

For more information, or if you have a problem or question about your LGPS membership or benefits, please contact:

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The national website for members of the LGPS can be found at [www.lgps.org.uk](http://www.lgps.org.uk)

## Disclaimer

**The information in this leaflet applies to individuals who are contributing members of the Local Government Pension Scheme. It was up-to-date at the time of publication in April 2012. This leaflet 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 leaflet does not confer any contractual or statutory rights and is provided for information purposes only.**

**Text based on LGE Guide – Employees in England and Wales – November 2011.**



Local Government Pension Scheme