
PENSION



lgps AWARENESS WEEK

15 - 19 SEPTEMBER 2025

Greater Gwent (Torfaen) Pension
Fund

Agenda

- What is the LGPS?
- Protection for you and your family
- What does it cost?
- Thinking of paying extra?
- Working out your pension
- Thinking of retiring?
- What is an Annual Benefit Statement?
- Useful links



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Pension Scheme

What is the LGPS?



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A pension is a great way to save for retirement, and a public sector pension like the LGPS is one of the best.

So what is a pension? It is a way of saving for retirement that will pay you an income for life after you have finished working.

Pensions come in many shapes and sizes. Today we'll be looking at the unique features and benefits of the LGPS.

What is the LGPS?



- The LGPS regulations are nationwide and made in Acts of Parliament
- 86 funds across England and Wales administer the Scheme locally
- Greater Gwent (Torfaen) Pension Fund

- Rules set nationally in regulations etc
- Unlike many public sector schemes, it is not administered nationally
- 86 funds across England & Wales administer locally, in touch with what matters to the members in that region
- [Introduce your pension fund, plus which council is the administering authority and any local arrangements such as third-party administrator]
- What does the administering authority do? Responsible for managing and administering the scheme

What is the LGPS?



- One of the largest pension schemes in the UK
- 2.1 million people paying into the scheme
- 2.1 million people being paid a pension
- 2.4 million have a pension they have not yet taken

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There are broadly three types of members –

Active: currently paying into the scheme

Pensioner: receiving benefits from the scheme (two groups: those who paid into the LGPS in the past and their partners or children who are receiving survivor pensions)

Deferred: paid into the LGPS in the past and have not yet been paid their pension

Individuals have a separate pension account for each LG employment. One person could be more than one type of member – an active member could also be a pensioner member, for example.

What is the LGPS?



- Your pension builds up each year based on your pensionable pay
- Your pension is guaranteed by law and not linked to investment markets
- Both you and your employer contribute towards the cost of your pension

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The benefits you build up are based on your pay and how long you're in the scheme. It is **not like** many schemes which are defined contribution schemes – build up benefits based on how much is paid in

No investment risk associated with your core pension savings

The national rules and regulations of the scheme guarantee that the pension you build up will be paid to you, whatever happens i.e. stock market crashes etc

Both you and your employer pay into the local fund – these contributions do not relate to your benefits, they are how the Scheme is paid for (along with investment growth)

What is the LGPS?



- Your pension builds up on a Career Average basis
- Each year 1/49th of your pensionable pay is added to your pension account
- Your pension at retirement is the amount in your pension account plus increases for the cost of living

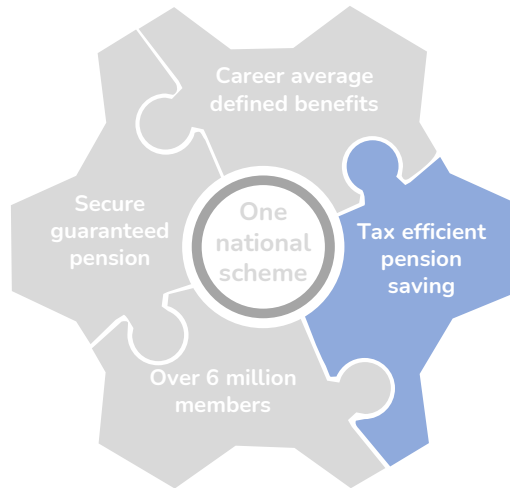
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Since 2014 the LGPS has been a career average scheme. Members who paid in before built up final salary benefits, we'll explain that in more detail later in this session.

Every year 1/49th of your pensionable pay is added into your 'pension account' and increased annually for the cost of living

When you retire, all these yearly 'chunks' are added together – and that's the pension you get. It's that simple.... More or less

What is the LGPS?



- The LGPS is a great way to save for retirement
- You receive tax relief on the contributions you pay
- You can choose to take a tax-free lump sum when you retire

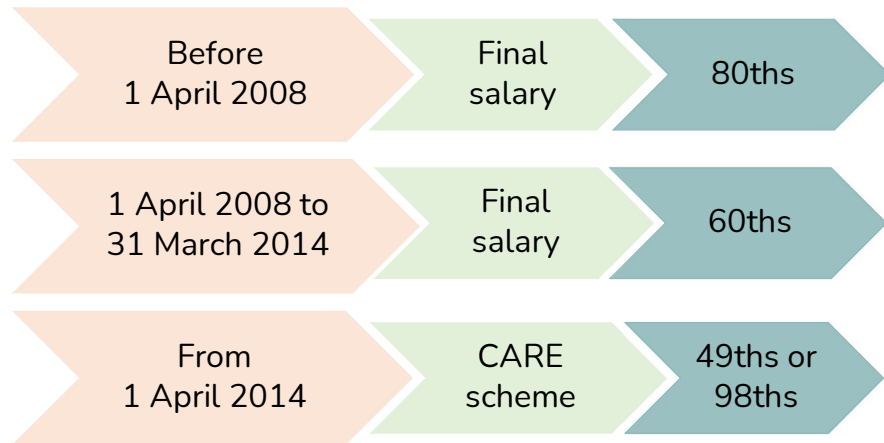
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Great way to save for retirement

Cost effective and tax efficient

Flexible – you can take pension only or a mix of pension and a one-off tax-free lump sum when you retire

Working out your pension



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Final salary pension scheme up to 1 April 2014. NPA for final salary benefits is generally 65.

- For each year before 1 April 2008, you get a yearly pension of 1/80th of your final pay, plus a lump sum of 3 times your pension.
- If you work part time, final pay is the full time equivalent pay for your job.
- For each year 1 April 2008 to 31 March 2014, you get a yearly pension of 1/60th of your final pay

Career average revalued earnings (CARE) scheme from 1 April 2014

- Each Scheme year (starts 1 April), 1/49th of your pay is added to your pension account – revalued with inflation
- 1/98th if you were in 50/50 section
- NPA for CARE benefits is your State Pension Age

Protection for you and your family



Death grant of three times your pay



Security for your family



Ill health retirement

The LGPS provides security for you and your family with:

- A death grant of three times your pay if you die as an active member – let us know who you would like any payment to go to by completing an expression of wish form or updating these details online
- A pension paid for life to your spouse / civil partner / cohabiting partner and
- Pensions for eligible children
- Ill health retirement at any age – more information on this later

What does it cost?

Sam earns £30,000 a year, so has a contribution rate of 6.5%.

The monthly cost to Sam would be £162.50, but with tax relief the net cost is **£130**.

| Pensionable pay | Contribution rate |
|---------------------|-------------------|
| Up to £17,800 | 5.5% |
| £17,801 - £28,000 | 5.8% |
| £28,001 - £45,600 | 6.5% |
| £45,601 - £57,700 | 6.8% |
| £57,701 - £81,000 | 8.5% |
| £81,001 - £114,800 | 9.9% |
| £114,801 - £135,300 | 10.5% |
| £135,301 - £203,000 | 11.4% |
| £203,001 or more | 12.5% |



Your employer also contributes towards your pension

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- Your contributions are based on your pay – bands updated every April
 - If you earn enough to pay tax, you will get tax relief on your LGPS contributions. If you do not pay tax, the government will pay you a top-up payment each year. The first payments of this type will be made in 2026 for the 2024/25 tax year
- If you are a basic rate tax-payer, £1 in contributions will cost you 80p – for example Sam
- Your employer meets the rest of the cost of providing your pension.
 - The long-term funding aim of the scheme is for members to pay one third of the cost, with employers paying two thirds
 - This would mean that the average employer contribution would be 13%. In reality, many employers pay more than this.

Did you know...

...in times of financial hardship, you can join the 50/50 section of the scheme?

Main section
contribution
rate

5.8%

Yearly pension
build up

£500

Death in
service lump
sum

£73,500



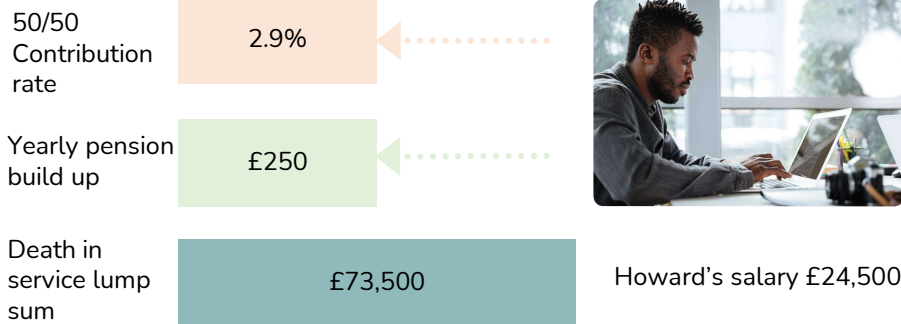
Howard's salary £24,500

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- In times of financial hardship, you can join the 50/50 section of the Scheme.
- The 50/50 section allows members to stay in the LGPS when in the past they may have opted out to save money.
- In the 50/50 section you pay half your normal contributions and build up half the benefits you would have built up in the main section of the Scheme.
- Joining the 50/50 section does not change the benefits paid to your dependants when you die.
- In this example we see the benefits Howard builds up in the main section.

Did you know...

...in times of financial hardship, you can join the 50/50 section of the scheme?



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Joining the 50/50 section reduces Howard's contribution rate and his pension build-up. But the death in service lump sum stays the same at three times Howard's annual pay - £73,500

- You will have to let your employer know in writing if you want to join the 50/50 scheme. Go to the Forms and Publications section of our website to download the 50/50 form.
- The 50/50 section is only a short-term option.
- Employers must move members in the 50/50 section back into the main scheme every 3 years - tied into the employer's pension auto-enrolment cycle
- However, you can elect to join the 50/50 section again.

Thinking of paying extra?

Additional Pension Contributions (APCs)

- APCs are extra contributions to buy extra annual pension
- APCs taken directly from your pay
- Extra pension is paid with your LGPS pension
- APC calculator

www.lgpsmember.org/help-and-support/tools-and-calculators/buy-extra-pension-calculator/



Additional Voluntary Contributions (AVCs)

- AVCs are taken from your pay and transferred to your own personal account with Standard Life or Clerical Medical
- Use AVCs to purchase extra annual pension from the LGPS or another provider, or take up to 100% of AVCs as tax-free lump sum

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You can increase your pension by paying into a personal pension scheme or a free-standing AVC scheme. We will concentrate on how you can increase your pension within the LGPS

You may have an ongoing contract to buy added years or pay additional regular contributions (ARCs). These can continue, but no one can start a new contract.

There are now two ways you can pay extra in the LGPS:

- Additional Pension Contributions
- Additional Voluntary Contributions

Contributions to both schemes benefit from tax relief – so if you make regular payments from your pay, these contributions are taken off your salary before your tax is worked out

If you leave before you retire, your APC and AVC payments will stop.

- With APCs you'll be credited with the extra pension you have paid for when you leave
- AVCs remain invested until you decide to take them. You may instead transfer your AVC to another pension provider before you take your LGPS pension.

Scan the QR code to visit the APC calculator on the national member website

Additional Pension Contributions (APCs)

- Pay monthly or make a one-off lump sum payment
- Cost depends on how much extra pension you want to buy, your age and how you spread payments
- Increases/decreases in line with inflation
- No investment opportunity
- No option to buy additional survivor's pension or benefits



Cost



Growth



Survivors

Additional Voluntary Contributions (AVCs)

- You decide how much you pay
- You can change the amount at any time
- You decide where to invest your money – review your choices regularly
- AVCs will increase/decrease in line with investment performance
- Option to increase survivor's pension or life cover

The Government consulted on changes to APCs in 2025. These changes mostly relate to paying extra to buy pension 'lost' in a period of unpaid leave, rather than to boost your benefits. We are not covering the 'lost' pension option here.

Differences - which option is best for you will depend on your financial situation

- You cannot pay APCs if you are in the 50/50 section of the LGPS
- There are limits on how much extra annual pension you can buy – currently £8,903 in 2025/26
- The cost of buying APCs is reviewed every few years. If you are making regular contributions, the amount you pay may change in the future

AVCs

- Your employer may offer a salary sacrifice arrangement to pay Shared Cost AVC
- if they do, you would not pay tax or National Insurance on the AVC contributions. Your employer would also save by paying lower national insurance contributions

The McCloud Remedy



[Depending on your audience and ability to share audio, you may wish to omit this slide]

The QR code links to the McCloud section of the member website. There is lots of information about McCloud in this section, including the 'Am I affected?' tool, FAQs and details and how to book a place on a McCloud webinars for members.

Leaving the LGPS

Leave your pension in the LGPS until you choose to take it

Transfer your benefits to another pension arrangement



Combine your pension benefits with a new LGPS pension account

Take a refund of contributions

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Most people will have many jobs in their working life. Not everyone will stay in the LGPS until they retire.

- LGPS member for more than two years -> deferred benefits. Leave your pension in the LGPS and take it when you are ready – from 55, or 57 from 2028
- Join a different pension scheme -> option to transfer your LGPS pension
- Risks in transferring -> giving up the guarantees offered by the LGPS, risk of scams.
- 'Club' transfers - preferential transfers between public service pension schemes
- Combine your two periods of membership if you re-join the LGPS – make sure you understand your options and the time limits that apply
- Take a refund of the contributions you have paid if you were a member for less than two years.

Prepare, but be aware...

Beware of pension scams

- Reject unexpected offers
 - Cold calls about pensions are illegal
- Check who you're dealing with
 - [Financial Services Register](#)
 - Financial Conduct Authority: 0800 111 6768
 - [FCA Warning List](#)
- Don't be rushed or pressured
- Get impartial information or advice



Can you spot the warning signs of a pension scam?
Scammers' tactics include:

- Offering free pension reviews or health checks
- Promising better returns on savings
- Suggesting you try to take your pension benefits before age 55
- Promoting tax loopholes, pension loans or upfront cash
- Forcing you to act quickly with tight deadlines or once-only deals
- Contacting you out of the blue – cold calling is

against the law. No company should contact you about your pension unless you have asked them to.

Once you have transferred your pension into a scam it's too late. You could end up losing all your pension savings.

Recommend independent financial advice – compulsory for some transfers

Thinking of retiring?

Normal Pension Age

- State Pension age (or 65 if later)
- No employer consent needed

Early Retirement

- Between age 55 and Normal Pension Age
- Minimum age 57 from 6 April 2028
- Pension reduced for taking it earlier than normal pension age
- No employer consent needed

Late retirement

- No later than age 75
- Pension increased for taking it after Normal Pension Age
- No employer consent needed

- You can choose to retire at any time between age 55 and 75 (increasing to 57)
- You need at least two years' membership to qualify for a pension
- And you must have left your job
- Exception – if you reach age 75 as an active member. Pension paid straight away even if you stay in employment and /or you have been a member for less than two years
- You must take your whole LGPS pension.
- If you joined before 1 April 2014, you can't take your final salary benefits and take your CARE benefits later.

Early payment

| Years early | Annual pension reduction | Automatic lump sum reduction |
|-------------|--------------------------|------------------------------|
| 0 | 0% | 0% |
| 1 | 4.9% | 1.7% |
| 2 | 9.3% | 3.3% |
| 3 | 13.5% | 4.9% |
| 4 | 17.4% | 6.5% |
| 5 | 20.9% | 8.1% |
| 6 | 24.3% | 9.6% |
| 7 | 27.4% | 11.1% |
| 8 | 30.3% | 12.6% |
| 9 | 33.0% | 14.1% |
| 10 | 35.6% | 15.5% |
| 11 | 39.5% | Does not apply |
| 12 | 41.8% | Does not apply |
| 13 | 43.9% | Does not apply |

Rule of 85 protects benefits built up before 01/04/2008 if you joined LGPS before 01/10/2006 – lower reductions apply. Please contact your fund for more details

Reduction factors are regularly reviewed

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- These are the reductions for each full year
- Actual reduction based on exact number of years and days early.
- You will only have an automatic lump sum if you joined before 1 April 2008
- Final salary benefits can be paid without reduction earlier than CARE benefits (age 65 instead of State Pension Age). The Rule of 85 means that some members' pre 1 April 2008 benefits can be paid earlier.
- You may have 2 or 3 different Normal Pension Ages and so 2 or 3 different % reductions will apply to different parts of your pension
- You can see the reductions that would apply to your pension by [requesting an early retirement estimate / using the modeller on the member portal]

Flexible retirement from age 55

- Employer policy and consent needed
- Reduce hours or grade of job
- Pension benefits reduced if taken earlier than Normal Pension Age
- Rule of 85 will be taken into account (if you are protected and under age 65)
- Take some or all of the pension already built up and continue to build up a second pension in the reduced pay/hours post

Redundancy / Efficiency of the service from age 55

- Pension paid immediately and **unreduced**
- Based on benefits you have built up to retirement date
- No option to defer payment, transfer to a different scheme or combine your benefits if you re-join the LGPS
- Previous Government planned to restrict exit costs in the public sector
- Rules could change if current Government adopts the policy



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The Normal minimum pension age will increase from 55 to 57 from April 2028

This will apply to flexible retirement and redundancy/efficiency retirements

Ill health retirement – any age

Based on the opinion of an independent doctor, your employer determines if:

- You are permanently incapable of discharging efficiently the duties of employment that you currently have, **and**
- You are not immediately capable of undertaking gainful employment

'Gainful employment' is paid employment for 30 hours a week for a year

If you satisfy these two requirements, you are entitled to an ill health pension
Your pension may be increased ('enhanced'), depending on how ill you are.

Ill health retirement

Tier 1

- Unlikely to be capable of gainful employment before Normal Pension Age
- Pension paid with no reduction
- Pension enhanced – based on period to Normal Pension Age

Tier 2

- Unlikely to be capable of gainful employment within three years of leaving, but likely to be able before Normal Pension Age
- Pension paid with no reduction
- Pension enhanced - 25% of tier 1 award


Tier 3

- Likely to be capable of gainful employment within three years of leaving
- Pension paid with no reduction, but not enhanced
- Paid for a maximum of three years, employer review after 18 months

- Different levels of pension are paid depending on how severe your condition is and how likely you are to be able to return to work
- If you become ill as a deferred member, your pension could be paid on health grounds.
- If you satisfy the conditions, your deferred pension would be paid immediately, without reduction for early payment, but with no enhancement

Thought about taking a lump sum?

At retirement, you can turn some of your annual pension into lump sum:

- £1 annual pension turns into  £12 tax-free cash
- You cannot turn your whole pension into a tax-free lump sum
- You can generally take up to 25% of the value of your pension as tax-free cash
- Lump sum calculator

www.lgpsmember.org/help-and-support/tools-and-calculators/lump-sum-calculator/



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- Members can swap pension for lump sum whatever type of retirement they are taking – voluntary, flexible, redundancy, ill health
- For every £1 of yearly pension you give up, you get £12 extra tax-free cash
- Members who joined the LGPS before 1 April 2008 have an automatic lump sum. They can still use this option to increase their lump sum
- Scan the QR code to visit the lump sum calculator on the national member website
- Your standard and maximum lump sum figures will be given to you by your pension fund as part of your retirement pack

What is an Annual Benefit Statement (ABS) and what should I do with it?

A yearly statement that shows you:

- 1 The LGPS pension benefits that you have built up at 31 March
- 2 An estimate of the pension benefits you might receive if you retire at your Normal Pension Age

- Your annual statement is an annual update on how your pension is growing – as an active member, you should receive one by 31 August each year
- It gives you the current value of your benefits and a projection to your normal pension age
- Your statement also provides estimates of the death grant and partner's pension that would be paid if you die as an active member
- Reminder – keep expression of wish for death grant up to date

What
should I do
with my
statement?



Check that your pay,
employment and
personal details are
correct



Review your forecast of
where you are likely to be
at your Normal Pension
Age. Remember, this
does not include any
other pension benefits
you may be entitled to.



Use your ABS as a
springboard for future
retirement planning

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- It is important to check your statement each year
- The figures in your statement are based on what has been provided by your employer, [please contact your employer / the pension fund by **/** date if you think any details are incorrect]
- [Signpost to where members can access their annual statement and obtain support i.e portal, guides, video etc]

Questions



Useful links

| | |
|-------------------------------------|---|
| National LGPS member website | www.lgpsmember.org Calculators, videos, FAQs, general information about the Scheme |
| Pension fund website | www.gwentpensionfund.co.uk Pension forms: 50/50 option form, expression of wish |
| Member portal | https://gwentpensionfund.pensiondetails.co.uk/login - View your benefit statement, use the benefit projector, update expression of wish details |
| Contact the fund | Email: pensions@torfaen.gov.uk Phone: 01495 766266 |
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