

Your guide to Automatic Enrolment

Helping you to save for the future

If you are not currently paying pension contributions then this guide contains important information for you. If you are currently paying pension contributions and are an active member of the Local Government Pension Scheme (LGPS) you are not directly affected, but you should keep this guide for information.

This guide contains:

- Information on automatic enrolment and pension saving.
- Details of the LGPS and the benefits you will receive as a member.
- Useful links to help you plan for your retirement.
- Information if you don't think being a member of the LGPS is for you.

What is automatic enrolment?

A law has been introduced by the Government which changes the way that workplace pensions are provided to all workers. This is known as automatic enrolment. Since 1 July 2013 we will need to automatically enrol all eligible workers into a qualifying pension scheme. This will affect you if you:

- Earn over £10,000 a year (or pro-rata pay period at April 2017)
- Are age 22 or over; and
- Are under State Pension age.
- Not already in a qualifying pension scheme.

For Hackney Council, the qualifying scheme for the purpose of automatic enrolment is the Local Government Pension Scheme (LGPS).

For more detailed information on automatic enrolment please visit www.thepensionsregulator.gov.uk

How will it affect you?

Automatic enrolment will impact people in different ways depending on whether you meet the requirements shown above.

The table below explains more:

Requirements	How will automatic enrolment impact you?	What type of worker are you?
You earn over £10,000* a year (or pro-rata pay period); Are age 22 or over; and Are under State Pension age.	You will automatically be enrolled in the LGPS.	Eligible jobholder who is currently not a member of the LGPS.
You are 22 years or over but your earnings are between £5,876* and £10,000* a year (or pro rata pay period).	You will not be automatically enrolled into the LGPS, but you can still join by contacting either your HR team or the pension administrators, Equiniti. If you do not join and you meet the requirements in the future, you will automatically join the LGPS when you meet the requirements.	Non eligible jobholder who is currently not a member of the LGPS.
You are 22 years or over but your earnings are less than £5,876* a year (or pro rata pay period).	You will not be automatically enrolled into the LGPS, but you can still join by contacting either your HR team or the pension administrators, Equiniti. If you do not join and you meet the requirements in the future, you will automatically join the LGPS when you meet the requirements.	Entitled worker who is currently not a member of the LGPS.

* These are the pay limits as at 6th April 2017 for the year 2017-18; they are subject to change each April. If you are unsure of the pay limits then you should contact your HR or Payroll team.

Your employer may decide to delay your automatic enrolment if you are an eligible jobholder. Your employer will write to you if they delay your enrolment.

Can you join if you are not automatically enrolled?

Yes. If you would like to join the LGPS, please contact either your HR team and request a Joiner Form or you can obtain a Joiner Form from the pension administrators, Equiniti, by contacting them on 01293 603 085 or you can download a Joiner Form from their website at

<http://hackney.xpmemberservices.com/Home.aspx>

What happens if you meet the requirements for automatic enrolment in the future?

Once you meet all the requirements you will automatically join the LGPS from the pay period when you meet all the requirements. You will be informed when this happens.

Why have the changes happened?

The changes have taken place to help and encourage people to save more for their retirement. The aim is to make sure that people plan for their retirement and have enough income to enjoy it. Currently the Basic State Pension can range from £115.95 to £155.65 a week for a single person. Depending on your age and length of national Insurance contributions.

Did you know?

The Department of Work and Pensions estimates that 7 million people are currently not on track to save enough for what they expect in retirement.

What are the benefits of being in the LGPS?

The great news is that the LGPS is a qualifying scheme which means it meets or exceeds all of the standards. As a member of the LGPS you will receive

- a secure pension – payable for life that increases with the cost of living
- tax free cash – the option to exchange part of your pension for some tax-free cash at retirement
- voluntary early retirement – from age 55 (even though the scheme's normal pension age is currently State Pension Age, 65-68)
- serious ill-health cover – if you have to retire due to a serious illness you could receive immediate benefits based on your period of scheme membership
- redundancy cover – with the early payment of pension benefits if you are made redundant or retired on business efficiency grounds at age 55 or over
- life cover – with a lump sum of three times your final pay if you die in service
- cover for your family upon your death – including a survivor's pension for your husband, wife, civil partner or cohabiting partner as well as children's pensions

You will also get contributions from your employer and the Government. For more details on the LGPS please visit www.lgpsmember.org

How much will we pay in for you?

The amount that we pay into the LGPS as your employer is calculated every three years. The amount we pay for you is calculated to ensure that the LGPS provides all of its members with a guaranteed income in retirement, and that it is able to fund the full package of benefits it provides such as ill health protection, survivors' pensions and lump sums. The amount we pay is based on your pensionable pay.

What will this cost you?

Band	Actual Pensionable Pay	Employee contribution rate (%)
1	Up to £13,700	5.5
2	£13,701 to £21,400	5.8
3	£21,401 to £34,700	6.5
4	£34,701 to £43,900	6.8
5	£43,901 to £61,300	8.5
6	£61,301 to £86,800	9.9
7	£86,801 to £102,200	10.5
8	£102,201 to £153,300	11.4
9	More than £153,301	12.5

The amount depend on salary. The in the table be annually in cost of

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contributions to the LGPS will be deducted from the pensionable pay you receive in each pay period. So, if your pay varies a lot from month to month, it may mean you cross into a different pay band which means that the amount of your monthly contribution could either go up or down in line with the appropriate contribution banding and rate. The contribution rate will show on your payslip each month.

Your Contributions

So how does this work?

LGPS definition of '**Pensionable Pay**' is the total of:

- all the salary, wages, fees, all overtime and other payments paid to an employee for his/her own use in respect of his/her employment; and
- any other payment or benefit specified in his/her contract of employment as being a pensionable emolument.

An employee's pensionable pay does not include:

- any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment

How much does the Government pay in for you?

In addition to the money you save and the contributions we pay in, you will receive money from the Government – this is known as tax relief. Tax relief means that the contributions you pay are deducted from your pay before it is assessed for income tax. If you make extra payments you will receive more tax relief from the Government. In the LGPS, the tax relief is given under ‘net pay’ arrangements, which means you will get tax relief on your pension contributions automatically. Information on how net pay works can be found at:

<https://www.gov.uk/workplace-pensions/what-you-your-employer-and-the-government-pay>.

Does the law mean that you have to be a member of LGPS?

No. If you would like to opt out of the LGPS you can do so by completing an opt out form:

- If your completed form is received within 2 years of your automatic enrolment date, you will receive a refund of the contributions you have paid. The law requires that your form needs to be accurately completed and returned within these time scales, to receive a refund of your contributions.
- If your completed form is received after the 2 years time limit you will be subject to the rules of the LGPS. These rules will mean that your pension will be held for you until your retirement.

If you are automatically enrolled, you can choose to leave the LGPS by completing an opt out form, which you can **only** obtain from the pension administrators, Equiniti Paymaster, **not** from your employer - <http://hackney.xpmemberservices.com/Home.aspx>

Opting out of the LGPS is a big decision as you will be giving up a guaranteed income for when you retire as well as other benefits such as valuable life cover while you are working. To help you save, your contributions are paid from your gross pay, before the deduction of income tax, so the net cost of your contributions is usually reduced by 20% or more, if you pay at the higher tax rate, also your employer contributes to the LGPS too.

Therefore, opting out won't save you as much in take home pay as you may think. In most cases, you will pay more tax if you opt out of the LGPS. A basic rate tax payer paying pension contributions of £100 a month will pay £20 more tax.

Depending on your age, retirement may seem ‘a life time’ away, but remember you may well need a significant pension when you retire to fund life style choices such as travel, holidays, hobbies etc. and it is unlikely that your state pension will provide enough income to meet the lifestyle you aspire to. Whatever your reasons for considering opting out of the scheme, we ask that you give this matter careful consideration before making a final decision.

If you choose to opt out you will also be giving up extra savings that we and the Government provide to help you save. If you are thinking about opting out we suggest that you speak to an Independent Financial Adviser (IFA) before making a decision. You can find an IFA by visiting www.unbiased.co.uk.

Tip

You will lose out on other valuable benefits such as life cover and employer contributions if you opt out of the LGPS and you will need to save for your retirement another way.

Will you be put back into the Scheme if you opt out?

Yes. The law requires us to automatically put eligible jobholders back into the LGPS every three years on a re-enrolment date. The re-enrolment date has to be three years after the date that we started automatic enrolment; therefore our next re-enrolment date will be 1 July 2019.

If you opt out, can you rejoin later?

Yes at any time. Please note that your employer must automatically re-enrol you every 3 years on the anniversary of the staging date.

Our commitment to you

We are committed to helping you save for your retirement. It is our aim to ensure that all of our workers understand the LGPS and save enough for a happy and financially secure retirement.

Under the new law we must help you to save by:

- Keeping the LGPS meeting or exceeding the new automatic enrolment standards;
- Maintaining your membership of the Scheme, unless you personally choose to opt out or become ineligible to be a member

Need more help?

We hope that you have found this guide useful. If you would like more information on saving for retirement and pensions in general please visit:

www.gov.uk/workplace-pensions or www.gov.uk/plan-retirement-income

pensions@hackney



Please feel free to contact us:

The Hackney Pensions Team - email pensions@hackney.gov.uk

Or contact the pension administrators, Equiniti – Tel: 01293 603085

This guide has been written according to the legislation as at 1 April 2017. If legislation changes this guide may be out of date as a result.

If you have a specific query, please contact either your HR team direct or the pension administrators, Equiniti on their AE helpline number: 01293 603085