

# What do you need to know about your NILGOSC pension?

Tuesday 8 February  
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Provided by



Money &  
Pensions  
Service



HM Government



**MoneyHelper is here to help, so you can move on with life.**

**Here to cut through the jargon and complexity, explain what you need to do and how you can do it. Here to put you in control, with free, impartial help that's quick to find, easy to use and backed by government.**

Online and over the phone, you'll get clear money and pension guidance. We can also point you to trusted services, if you need more support.

MoneyHelper is helping people to clear their debts, reduce spending and make the most of their income. To support loved ones, plan ahead for major purchases and find out about entitlements. To build up savings and pensions, and know their options.

**For money help all in one place that's free to use, just search for MoneyHelper.**

**[moneyhelper.org.uk](https://moneyhelper.org.uk)**



# Disclaimer

We offer free and impartial information and guidance to help you make the most of your money and pensions. Our service is designed to support you in making your own informed decisions based on your circumstances.

We don't give legal or regulated financial advice or recommend specific financial products because we aren't regulated or authorised by the Financial Conduct Authority to do so. This means we can't tell you what the best option is for you, or what to do with your money or pension.

If you're looking for personalised money or pensions advice or specific product recommendations, you'll need to see a regulated financial adviser or seek legal advice.

Find out more about when and how to get professional advice in our guide [Do you need a financial adviser: https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/do-you-need-a-financial-adviser](https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/do-you-need-a-financial-adviser).

If you need legal advice, you can find a solicitor on the [Law Society website: https://www.lawsociety.org.uk/](https://www.lawsociety.org.uk/)

# What we'll focus on today

- How much money will you need in retirement?
- The State Pension
- Why are pensions important?
- How do your pension contributions get tax relief?
- Types of pension
- NILGOSC pension arrangements
- How is your pension calculated?
- What's paid when you die?
- Saving more into your NILGOSC pension
- What happens to your pension if you leave your job?
- Tracing old pensions
- Pension scams and how to spot them
- How to contact us



# How will you fund your retirement?

It's never too early (or too late!) to start planning.....

# How much money will you need?

The answer to this question differs for everyone and will depend on your circumstances.

Research originally published in 2018 (and updated in October 2021) sets out three suggested levels of expenditure in retirement:

	Single person	Couple
<b>Minimum</b> – covers basic needs, maybe some left over for ‘fun’	£10,900	£16,700
<b>Moderate</b> – allows for financial security and flexibility	£20,800	£30,600
<b>Maximum</b> – more financial freedom and luxuries	£33,600	£49,700

Read more here: [retirementlivingstandards.org.uk/](https://retirementlivingstandards.org.uk/)

See what you’re on track to get from your pensions using our calculator:

[moneyhelper.org.uk/en/pensions-and-retirement/pensions-basics/pension-calculator](https://moneyhelper.org.uk/en/pensions-and-retirement/pensions-basics/pension-calculator)

# The State Pension

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The full new State Pension is currently £179.60 a week (£9,339 per year)

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You'll need at least 35 years of qualifying NI contributions to receive the full State Pension – *although the effect of 'contracting out' before April 2016 via your NILGOSC pension can reduce the State Pension in some cases*

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You can find out your own State Pension Age here: [gov.uk/state-pension-age](https://www.gov.uk/state-pension-age). For example, a 30-year-old can't expect to receive their State Pension until their 68<sup>th</sup> birthday

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You can request a State Pension forecast online to see your current position (*a Government Gateway or Gov.uk.verify account is required*): [gov.uk/check-state-pension](https://www.gov.uk/check-state-pension)

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If there are any gaps in your NI record, then you may be able to pay voluntary NI contributions to top up your State Pension

# Why is it important to look after your pension?

## Did you know?

- The State Pension alone is unlikely to be enough for many people.
- A private pension can be accessed earlier than your State Pension.
- You receive tax relief on the money you pay into a pension, so some of the money that would've gone to the government as tax goes into your pension instead.
- 'Free money' from your employer who pays 19.5% of your salary into NILGOSC.
- You can often take up to 25% of your pension pot as a tax-free lump sum.
- Pensions can also help with inheritance tax planning because death benefits paid from a pension are often not counted as part of your Estate.





# How do your contributions get tax relief under a 'net pay arrangement'?

The example below shows how tax relief works if your employer uses a 'net pay arrangement' for deducting your pension contributions from your pay:

Laura earns £20,000 per year (approx. £1,666 per month)

Employee pension contribution rate based on salary = 5.8% (approx. £96 per month)

- The £96 pension contribution is deducted from Laura's salary before income tax is calculated. So, the taxable amount of monthly earnings is reduced to £1,570 (£1,666 - £96)
- As Laura is not paying tax on £96 of her earnings, she is saving tax of £19.20 (£96 x 20%)
- This means that her £96 pension contribution only really costs her £76.80 (£96 - £19.20)

# How do your pension contributions get tax relief through salary sacrifice?

## Eric (without salary sacrifice)

Gross pay	£1,666
Less pension contribution	(£96)
Less NI @ 12%	(£104)
Taxable pay	£1,570
Less tax @ 20%	(£104)



Take-home pay:  
£1,362

## Ernie (with salary sacrifice)

Gross pay	£1,666
Less sacrifice pension	(£96)
Actual Pay	£1,570
Less Tax @ 20%	(£104)
Less NI @12%	(£92.8)



Take-home pay:  
£1,373

# What type of pensions are there?

## Defined Benefit (DB)

Gives you a guaranteed income for life.

Pays a regular pension income usually with the option of a tax-free lump sum and a reduced income.

Can normally be accessed after reaching age 55\*, but the pension is likely to be reduced for early payment.

Find out more on Defined Benefit pensions [here](#).

## Defined Contribution (DC)

A pot of money that is built up and invested.

Up to 25% of the pension pot can usually be paid as a tax-free lump sum.

There are a flexible range of options for drawing money out of the pot after reaching age 55\*.

Find out more on Defined Contribution pensions [here](#).

*\* Normal Minimum Pension Age (NMPA) will increase to age 57 from 6 April 2028 but some individuals will still be able to keep a NMPA of age 55*

# NILGOSC Pension Arrangements

Visit  
[nilgosc.org.uk/](http://nilgosc.org.uk/)

## Final Salary NPA 60 scheme – pension built up before 1 April 2009

- Normal retirement age of 60 – can take your pension between age 55 and 75
- Final Salary scheme with 1/80<sup>th</sup> accrual rate and automatic lump sum

## Final Salary NPA 65 scheme – pension built up from 1 April 2009 to 31 March 2015

- Normal retirement age of 65 - can take your pension between age 55 and age 75
- Final Salary scheme with 1/60<sup>th</sup> accrual rate

## Career Average scheme – pension built up from 1 April 2015

- Normal retirement age is your State Pension Age - can take your pension between age 55 and age 75
- Career Average (CARE) scheme with 1/49<sup>th</sup> accrual rate

**Many people will have benefits in two or more of these sections**

# McCloud Judgment

- The Court has found that the 2015 pension reforms were discriminatory against younger members
- As a result, pension schemes are currently working hard to remedy this
- **If you were you in service as a member of a public service pension scheme on 31 March 2012 and remained in service on 1 April 2015 then you will be affected:**
  - When your pension becomes payable, you will be offered a choice of receiving benefit from your old (legacy) scheme or the 2015 scheme for the period between 2015 and 2022
  - You don't need to do anything now, your pension scheme will contact you and explain what this means for you
- **From 1 April 2022, everyone will build up future pension in the 2015 scheme, irrespective of age**

<https://nilgosc.org.uk/members/about-the-scheme/mccloud-court-case/>

# The 2015 Local Government Pension Scheme (NI)

**Everyone will pay into this scheme from April 2022 onwards whilst some of you will already be paying into it**

- ‘Career Average Revalued Earnings’ (CARE)
- You contribute between 5.5% and 10.5% of your salary depending on your earnings
- 50/50 option to pay half the contribution and receive half the pension (full life cover)
- Normal Pension Age is the later of age 65 and your State Pension Age
- You can retire from age 55 but your pension will normally be reduced if taken early. The pension can be paid earlier than age 55 if you qualify for ill health retirement.
- You earn 1/49th of your pensionable earnings each year as a pension
- When you take your pension, you will have the option of exchanging some of your pension for a tax-free lump sum – for every £1 of pension given up, you receive £12 of lump sum

# How is your pension calculated in the 2015 scheme?

## EXAMPLE:

You earn £20,000 in your first year of scheme membership:

$$\text{Year 1 Pension} = £20,000 / 49 = \boxed{£408.16}$$

Your salary increases to £20,500 in your second year of membership:

$$\text{Year 2 Pension} = £20,500 / 49 = \boxed{£418.37}$$

Total pension earned to date:

Year 1 pension + (increase in CPI, e.g. 2%) ( $£408.16 + 2\% = £416.32$ )

Plus Year 2 pension

$$= \boxed{£834.69} \text{ (} £416.32 + £418.37 \text{)}$$

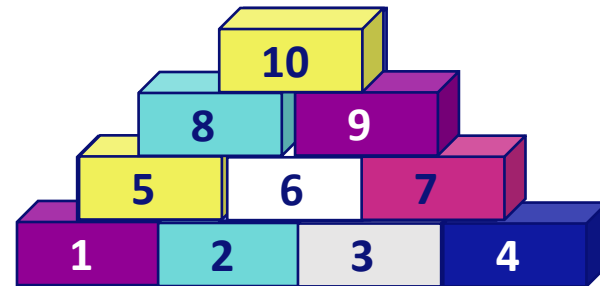
This process continues every year that you are building up pension in the 2015 scheme

For more, visit:

[nilgosc.org.uk/members/about-the-scheme/calculating-benefits/](http://nilgosc.org.uk/members/about-the-scheme/calculating-benefits/)

# How is your pension calculated in the 2015 scheme?

This continues each year, with your salary increasing and past years of pension increasing. After 10 years you might have a total pension payable at State Pension Age of, say, £5,000 a year, following the example on the previous slide.



- Depending on individual circumstances, many people will build up higher pensions in the 2015 CARE scheme than they would under the final salary schemes.
- You have the option to give up some of your pension to get a tax-free cash lump sum at retirement (for every £1 of pension given up, you will get £12 of lump sum).



# What's paid when you die?

## If you die whilst still in active service and under age 75:

- A lump sum death in service grant of 3 x your assumed pensionable pay (*the grant may be higher if you also had deferred benefits in older sections of the scheme*)
- If you paid AVCs, the value of the AVC fund is payable plus any extra life cover

## PLUS

- An ongoing survivor's pension to your spouse, civil partner, eligible cohabiting partner  
[nilgosc.org.uk/members/about-the-scheme/death-benefits/life-cover-survivors-pensions/](https://nilgosc.org.uk/members/about-the-scheme/death-benefits/life-cover-survivors-pensions/)
- An ongoing pension to eligible child(ren)  
[nilgosc.org.uk/members/about-the-scheme/death-benefits/life-cover-childrens-pensions/](https://nilgosc.org.uk/members/about-the-scheme/death-benefits/life-cover-childrens-pensions/)



# What's paid when you die?

Your pension fund has discretion over who receives any death grant so it can be paid to the person(s) you have nominated on your expression of wish form, to your personal representatives, or to any person who appears, at any time, to have been your relative or dependant.

Providing the death grant is paid within two years, it will be free of income tax and not count as part of your Estate for inheritance tax purposes.

If you haven't already done so, complete an 'Expression of Wish form'

You don't need to nominate a co-habiting partner for entitlement to a partner's pension but you can still give details to NILGOSC.



# How to save more into your NILGOSC pension

## **Additional Pension Contributions – buy more guaranteed scheme pension**

- Buy up to £7,163 of extra yearly pension - Additional Pension Contributions (APCs)
- A calculator is available to get a quote and apply: [lgpsmember.org/nilgosc/apc/index.php](https://lgpsmember.org/nilgosc/apc/index.php)
- The cost depends on:
  - your age at the date the lump sum is paid or the contributions start
  - the period you wish to pay over
  - your normal pension age
- If you stop contributing, leave or retire before the end of the payment period you will receive a pension based on the contributions made up until the date they ceased.
- If you retire early on ill-health grounds the contract is deemed to have been paid in full

[nilgosc.org.uk/members/boosting-your-pension/](https://nilgosc.org.uk/members/boosting-your-pension/)

# Saving more into your NILGOSC pension

## Pay Additional Voluntary Contributions (AVCs)

- Separate pension arrangement with Prudential.
- You build up your own pot of money that is invested.
- The size of your pot will depend on how much you pay in, how long you pay in for, the impact of costs, charges and how well your investments perform.
- Your AVC pot is separate from your main NILGOSC pension and can be accessed at any time once you reach age 55.
- You may be able to access all, or part, of the AVC fund as a tax-free lump sum.
- The AVC does not promise to pay you a guaranteed level of pension; instead you have various options for accessing the money: [moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/pension-pot-options](https://moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/pension-pot-options)
- Also an option to pay 'Freestanding AVCs' with your chosen provider or open a concurrent personal pension.

[nilgosc.org.uk/members/boosting-your-pension/avcs/](https://nilgosc.org.uk/members/boosting-your-pension/avcs/)

# What happens to your NILGOSC pension if you leave your job?

- If you leave employment and have more than two years' membership in the pension scheme, you will become a **deferred member** and you can:

- Leave the pension where it is until retirement (*it will be increased yearly to keep up with the cost of living*)
- Transfer the pension to another pension scheme (*you may need to take regulated financial advice to do this*)
- If you are over the age of 55 but below Normal Pension Age, you can apply for **Early Retirement** and your pension will usually be reduced for early payment

- If you are over age 55 and lose your job because of redundancy or business efficiency, you may be able to claim your pension immediately without it being reduced for early payment.
- If you also have membership in earlier sections (pre 2009/pre 2015) of the Scheme then early retirement options will also be available for these sections. You can discuss your particular situation with NILGOSC.

# Tracing old pensions

You don't have to click on any adverts for tracing help or pay anyone to trace your pensions

- Keep your pension providers up to date with your address.
- Register for an online account if you haven't already done so.
- Find contact details for old pensions via the Pension Tracing Service: [gov.uk/find-pension-contact-details](https://www.gov.uk/find-pension-contact-details)
- You can leave old pensions where they are or choose to transfer them to a different pension scheme – for example, if you wanted to combine all your pensions into one place.  
*(note: the NILGOSC will usually only accept a transfer in within the first 12 months of your scheme membership.)*

More information from MoneyHelper about tracing your pensions and pension transfers:

[moneyhelper.org.uk/en/pensions-and-retirement/pension-problems/tracing-and-finding-lost-pensions](https://moneyhelper.org.uk/en/pensions-and-retirement/pension-problems/tracing-and-finding-lost-pensions)

[moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/uk-pension-transfers](https://moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/uk-pension-transfers)

# Pension scams and how to spot them

- Contacted out of the blue
- Illegal to do so (report to ICO)
- Applying pressure to make quick decision
- Guaranteeing high investment returns
- Access pensions before 55
- Offer of one-off investments , time-limited offers, upfront cash incentives, free pensions reviews, legal loopholes or government initiative
- **IF IT SOUNDS TOO GOOD TO BE TRUE IT USUALLY IS**

# What can you do now?

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## Trace lost pensions

Trace any lost pensions using the Government's tracing service: [gov.uk/find-pension-contact-details](https://www.gov.uk/find-pension-contact-details)

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## State Pension

Get a state pension forecast: [gov.uk/check-state-pension](https://www.gov.uk/check-state-pension)

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## Death Benefits

Make sure your NILGOSC death benefit nominations are up-to-date

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## Budget

Use our helpful [budget planner](#) to keep track of your spending now and in retirement

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## Ask for more information

Contact NILGOSC if you want to ask questions about your pension record: [nilgosc.org.uk/contact/](https://www.nilgosc.org.uk/contact/)

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# Speak to us:

## Looking for pension guidance?

Phone: **0800 011 3797**

Webchat: [moneyhelper.org.uk/pensionschat](https://moneyhelper.org.uk/pensionschat)

Online enquiry: [moneyhelper.org.uk/pensions-enquiry-form](https://moneyhelper.org.uk/pensions-enquiry-form)

## Looking for money guidance?

Phone: **0800 138 7777**

Webchat: [moneyhelper.org.uk/moneychat](https://moneyhelper.org.uk/moneychat)



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# Thank you

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