



10 Reasons for saving in the LGPS

UNISON campaigns for decent pensions for all workers and the Local Government Pension Scheme (LGPS) remains a good quality pension scheme that UNISON has been at the forefront of protecting. The more members we have the more we can achieve – join today or get a colleague to join by calling 0845 355 0845!

1. Do you really think the State Pension will be enough?

- The full Basic State Pension is only currently £107.45 a week
- The Pensions Credit (which guarantees a minimum weekly income) is £142.70 a week for a single person
- Yet the Official Poverty Level in the UK exceeds £170 a week!

2. Why miss out on a free “employer” pension contribution?

- Local Government workers receive an employer contribution of 15.9% (this varies between employers and is an average future service rate) compared to an average employer pension contribution of 6.2% for many private sector workers
- This is a lot of money to be missing out on!

3. Saving for a pension is very tax efficient

- You qualify for tax relief on your pension contributions meaning that it's not as expensive as you think to contribute to the LGPS.
- For example a current member of the LGPS with full-time earnings of £23,000 would have a headline contribution rate of 6.5% but in reality would pay 5.2% because of the tax relief applied
- It's also possible to claim a tax-free cash sum on your retirement

4. A pension can also act as a form of life assurance for your dependants

- The LGPS pays out a lump sum in the event of your death to people that you nominate on a form for this purpose. A dependant's pension can also potentially be paid to a surviving spouse, civil partner or nominated qualifying partner and it's even possible for a dependant child's pension to be paid

5. You can accumulate a tax-free cash sum on your retirement

- Members of the LGPS prior to the 1 April 2008 are entitled to a one off tax-free cash sum on their retirement equivalent to three times the pension they have built up from their pre April 2008 service, in addition to their pension
- Any LGPS member can opt to receive a one off tax-free cash sum on their retirement but will lose £1 of annual pension for each £12 tax-free cash claimed

6. If you suffer ill-health your pension can sometimes be paid early

- The LGPS allows for your pension to be paid early if you suffer ill-health which stops you from permanently being able to do your job
- If your ill-health is such that it stops you from being able to undertake other gainful employment it's possible that your pension award could be increased by extra service being added

7. How else are you going to achieve financial independence in old age?

- The LGPS provides a great means of building up sums of money for your retirement in a structured way
- You are entitled to annual benefit statements so you can always check how much you have saved and how this compares with your retirement aspirations
- Also you cannot generally access your funds until you've reached at least 55 which encourages long-term provision and helps to ensure your funds are still available when you need them

8. You can change the way companies behave – through share ownership

The money you save into a pension is invested in other companies meaning that you effectively own a share of them. This means through your pension scheme you can campaign for these companies to be run in a way that is better for the good of society.

9. You may not always be able to rely on the State

- Notwithstanding that you are unlikely to find the UK state pension as sufficient for achieving your retirement aspirations, there is no guarantee of its future value or indeed very existence!
- Who knows what direction of travel the UK state pension system could take in the future and it would be wise to have other “eggs in the basket” in this respect

10. You need to start saving straight away

- Generating a sufficient enough pension for your retirement will take some time and a not inconsiderate cost so you do really need to start saving as soon as possible!
- A pension also gives a guarantee of future payments irrespective of how long you live which should not be sniffed at. If you just simply saved a sum of money up – this could run out before you die without securing a pension!

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