



## Opting out

Members of the Local Government Pension Scheme (LGPS) have the choice to opt out of the Scheme on or after their first day of eligible employment. For some they may do as they do not think Pensions are good value or are in financial difficulty so see leaving their pension as a way of cost-saving.

There is plenty of information available on the [50/50 section](#) of the Scheme which may be an alternative option for members instead of opting out completely.

### How does a member opt-out?

Your employee must complete an opt out form which is available from the East Sussex Pension Fund website - [Forms and Publications | East Sussex Pension Fund](#). An employer is **not allowed** to provide an employee with an opt out form. An employee stops being an active member from the date they specify in the opt out form they provide to their employer. If they specify no date, or a date earlier than they give the notice, they stop being an active member in that employment at the end of the payment period in which the notice was given, i.e. at the end of the week or month.

### What happens when an employee opts out?

#### Opt out – less than three month's membership

If they opt out of the LGPS before completing three months' membership, they will be treated as never having been a member. As an employer you should refund any contributions the employee has made via payroll and ensure the next monthly employee and employer contributions due to the Fund are reduced to reflect the opt out.

Note: This is different from the treatment of an individual who leaves employment with less than three months' Scheme membership. In this situation, the refund should be paid by the pension fund (rather than via the employer's payroll) and no refund of employer contributions is due.

### **Opt out – three or more month's membership but less than two years**

If they opt out of the LGPS with three or more months' membership and before completing the two years vesting period, they can usually\* take a refund of their contributions (less any statutory deductions) via the LGPS administering authority or transfer out their pension to another scheme.

\* They will not be able to claim a refund if they have a deferred pension or a pension in payment in an LGPS fund in England and Wales.

Note: If a member was an active member on 31 March 2014, moved to the 2014 Scheme on 1 April 2014 and then opted out with more than three months' but less than two years' membership they have the option to have a deferred benefit instead of a refund.

### **Opt out – after two years membership**

If they opt out of the LGPS after meeting the two years vesting period, they will have deferred benefits in the Scheme. If they re-join the Scheme, they will not be permitted to join their deferred benefit with the new pension account that will be created – meaning they will have two separate sets of pension benefits.

## **Opting back in**

If a member opts out, they can opt back into the Scheme at any time before age 75, provided they are eligible to join the Scheme. As an employer you should automatically enrol them back into the LGPS (every three years at your staging date) provided they are an Eligible Jobholder at that time. An eligible jobholder is a worker who is aged at least 22 and is under State Pension Age and who earns more than £10,000 a year (2022/23 figure).

Note: You do have the choice to not automatically enrol your employee if:

- They had opted out of the LGPS less than 12 months before the date they would have been automatically enrolled, or
- Notice to terminate employment has been given before the end of the period of six weeks beginning with what would have been the date they were automatically enrolled, or
- You have reasonable grounds to believe that, on what would have been their date of automatic enrolment, they hold Primary Protection, Enhanced Protection, Fixed Protection, Fixed Protection 2014, Individual Protection 2014, Fixed Protection 2016, or individual Protection 2016.

## More information on **Opting out**

Further information can be found on:

- Pages 13 of the [LGPS HR Guide](#).
- The Pensions Regulator – [opting out](#)
- For employees (LGPS website) – [opting out](#).

## Further support

Email: [employer.engagement@eastsussex.gov.uk](mailto:employer.engagement@eastsussex.gov.uk)

This factsheet is one of a series put together by East Sussex Pension Fund to help support employers with processing key tasks.



**Employer Toolkit...**

Pointing you in the right direction

You can view the full employer toolkit at:

<https://www.eastsussexpensionfund.org/about-the-scheme/employers/employer-toolkit/>