

# Local Government Pension Scheme 2008 - Frequently Asked Questions

## Will I be better off in the new LGPS?

All members of the new look LGPS will receive an improved benefit package when they retire. If you are earning less than a full-time equivalent salary of £18,000, you will pay less in the new scheme. If you are earning more, you will pay more, but everyone will benefit from a higher accrual rate, flexible lump sum options, improved ill-health retirement provisions and better flexible retirement options, among other new benefits.

## How much will I pay?

At the moment you pay 6% of the pay you receive on your contractual hours into the LGPS, unless you have a protected right to pay 5%.

From 1 April 2008, all existing and new members of the LGPS will pay new contribution rates. In the new scheme, all employees earning less than a full-time equivalent of £18,000 per year will pay less into their pension than they do in the current scheme. To maintain stability and affordability, those earning more than £18,000 will pay more.

The new contribution rates are based on a system of bands. The band you fall into will depend on your full-time equivalent salary, i.e. how much you would earn each year for doing your job full time. The table below shows how much you can expect to pay per year for your pension. In the new scheme the bands reflect the different salary levels and introduce more equity between contributions and liabilities within the scheme.

Band	Range	Contribution rate
1	£0 - £12,000	5.5%
2	More than £12,000 up to £14,000	5.8%
3	More than £14,000 up to £18,000	5.9%
4	More than £18,000 up to £30,000	6.5%
5	More than £30,000 up to £40,000	6.8%
6	More than £40,000 up to £75,000	7.2%
7	More than £75,000	7.5%

From 1 April 2008 members currently paying 5% will have their contributions increased on a stepped basis to bring their contributions in line with the pay bands within three years. The band ranges will increase each April from April 2009.

## What if I work part time?

If you work part time, use your full-time equivalent pay to work out which band you will be in, rather than your actual pay.

## What if I work term time only?

If you only work during term time then your contribution rate is based on the full-time equivalent pay you receive, but only in respect of the term time period/number of weeks worked over the year.

## What if I have protected rights to pay 5%?

If you have a protected right to pay 5% it is proposed that this protection will be phased out over three years from 2008, bringing your contribution rate in line with all other scheme members' from 1 April 2011.

## When can I retire?

The normal retirement age will remain age 65 but members still have the option to retire from age 60, although their benefits may be reduced due to being put into payment early.

## Can I retire after age 60 but before the normal retirement age of 65?

You will still be able to retire from age 60 but there may be reductions to your benefits, depending on your age and length of service.

## What if I want to work beyond the age of 65?

You can stay in the scheme past age 65 but must take your benefits before reaching age 75. After age 65, benefits will be increased to reflect they are being paid after the normal retirement age.

## What is flexible retirement and can I take this option?

Flexible retirement enables a member who has their employer's consent and who reduces their hours or grade, to draw some or all of their retirement benefits while continuing to work. From April 2008, with your employer's consent, you may take this option after age 55, (or after age 50 if you are an existing member and take flexible retirement before 31 March 2010).

## What if I retire due to ill-health?

If you leave on ill-health grounds and have at least three months scheme membership, you will be entitled to receive an ill-health pension, payable from any age. If you have at least 2 years scheme membership you will also qualify for an enhancement to those benefits depending on the severity of your illness.

- If you are unlikely to get another job before you reach 65, a higher enhancement of benefits will be payable.
- If you are unlikely to get another job in a reasonable time, but may do before you are 65, a lower enhancement of benefits will be payable.

## Are there any other ways I can retire early?

Your retirement benefits will be paid if your employer retires you on the grounds of redundancy or efficiency if you have reached age 55 (or age 50 if you are an existing member and will leave before 31 March 2010).

## How will you calculate my pension?

Your pension will be based on your final salary and your years of membership in the scheme.

## What is my 'final salary'?

As in the current scheme, 'final salary' is either an average of the pay you earned in the last 12 months before retirement, or the best year in the last three. For part time staff, the whole time equivalent pay will be used. In the new scheme, members who downgrade (other than as a result of flexible retirement) can choose to have their benefits calculated on the average of the best three consecutive years in their last ten years of service.

## What calculation will be used?

Benefits on any membership up to 31 March 2008 will be calculated as they are now:

$$\text{Pension} = \frac{\text{Years Membership} \times \text{Final Salary}}{80}$$
$$\text{Lump Sum} = 3 \times \text{Pension}$$

Benefits on membership after 1 April 2008 will be calculated like this:

$$\text{Pension} = \frac{\text{Years Membership} \times \text{Final Salary}}{60}$$

You will be building up a pension at a higher rate of 1/60th of your final pay, however, membership in the new look scheme will not provide you with an automatic tax free lump sum.

## Do I have the option to take a lump sum?

On membership after the 1 April 2008, you will have the flexible option to take a lump sum by giving up some of your pension. For each £1 of pension given up, a lump sum of £12 will be paid, up to the point where your total lump sum is equal to 25% of the capital value of all your pension benefits. These options will be presented to you by the Pensions Section at retirement.

## How can I increase my benefits?

From 1 April 2008, if you want to increase your benefits you can choose to buy up to £5,000 per annum of extra pension in steps of £250. This is not the same as buying added years and you will not be able to elect to start buying added years after 31 March 2008. You will still be able to pay Additional Voluntary Contributions (AVCs).

## Will my existing added years contract still be valid?

All added years contracts already entered into, or contracted to start on your next birthday after 31 March 2008, will be valid and honoured. It doesn't matter when your contract is due to be completed, your right to the benefit will not be lost, even though the new scheme does not allow for new added years contracts. Your decision to purchase added years must reach the Pensions Section by 31 March 2008 to be valid.

## What if I die in service?

The new look LGPS provides a death in service lump sum of three times your annual pay. This has increased from the current payment of twice your annual pay.

## What if I die in retirement?

In the new scheme your pension is guaranteed to be paid for ten years, increasing from five years in the current scheme. So, we will pay ten years of pension (on death up to age 75), less the payments you have already received, as a lump sum death grant.

## What provisions are there for my loved ones when I die?

As now, pensions will be payable to spouses and civil partners. The new scheme also provides benefits for nominated unmarried partners. These benefits will build up at a rate of 1/160th of your final salary. Civil partners and nominated unmarried partners pensions will be based on post 5 April 1988 service only. Short term pensions will no longer be payable. Children's pensions are also payable, with the rate varying depending on the number of children and whether or not a pension is payable to a spouse, civil partner or nominated unmarried partner.

## What do I have to do to be included in the new scheme?

Nothing; everyone will be automatically transferred into the new scheme. Your employer will notify you of your new contribution band in due course.

## Local Government Pension Scheme 2008 - An Update on the New Benefit Package

From 1 April 2008 all current LGPS members will move into a new look scheme. The Local Government Pensions Scheme will continue to be a good quality final salary scheme and pensions in payment will continue to increase in line with the Retail Price Index.

The following table briefly compares the benefits and features of the current scheme with those of the new scheme from 1 April 2008.

Benefit/Feature	Current LGPS up to 31 March 2008	New Look LGPS from 1 April 2008
Scheme Type	Final salary (see "Pensionable Pay used in calculation of retirement benefits" below).	Final salary (see "Pensionable Pay used in calculation of retirement benefits" below).
Pension Accrual Rate	1/80 <sup>th</sup> of final pay for each year of pensionable service. (1/64 <sup>th</sup> if taking lump sum into consideration.)	Increased to <b>1/60<sup>th</sup></b> of final pay for each year of pensionable service AFTER 31 March 2008.
Lump sum	Automatic 3/80 <sup>ths</sup> lump sum for each year of service, plus the option to exchange up to 25% of the pension pot, at a rate of £12 extra lump sum for every £1 pension given up. These options are provided at retirement by the Pensions Section.	No <b>automatic</b> lump sum, but members can choose to exchange up to 25% of the overall value of their benefits for a lump sum, at a rate of £12 cash lump sum for every £1 pension given up. These options are provided at retirement by the Pensions Section.
Normal Pension Age (transitional protections apply to some 85-year rule qualifiers)	Age 65 for payment of unreduced benefits. Members can retire at any time from age 60 and draw their pension (reduced due to early payment).	Age 65 for payment of unreduced benefits. Members retain the right to retire at any time from age 60 and draw their pension (reduced due to early payment).
Earliest Retirement Age (Employers consent needed)	Currently age 50 (age 55 from 2010).	For existing members, currently age 50 (age 55 from 2010). For new members after 31 March 2008, age 55.
Pensionable Pay used in calculation of retirement benefits	Average of final year's pay OR best of last 3 years pay, whichever is higher. (Full-time equivalent pay is used when calculating part-timers' benefits.)	Average of final year's pay OR average of the best 3 consecutive years pay (revalued) during member's last 10 years of service, whichever is higher. (Full-time equivalent pay is used when calculating part-timers' benefits.)
Survivor benefits	Spouse/Civil partner's pensions are payable. Survivor's benefits will be calculated based on a 1/160 <sup>th</sup> accrual rate.	Spouse/Civil partner/"Nominated" dependent partner's pensions are payable. Survivor's benefits will be calculated based on a 1/160 <sup>th</sup> accrual rate.
Children's Pensions	Pension is payable to eligible children. Rate depends on number of children and whether or not a survivor's pension is also payable.	Pension is payable to eligible children. Rate depends on number of children and whether or not a survivor's pension is also payable.
Death grant paid on death in service	2 times actual salary	Increased to <b>3</b> times actual salary
Death grant paid on death after retirement	5 times pension, less any pension already paid.	Increased to <b>10</b> times pension, less any pension already paid.
Increasing your retirement benefits	Option to buy added years LGPS membership and/or pay Additional Voluntary Contributions (AVCs)	Option to buy up to £5000 additional annual pension and/or pay Additional Voluntary Contributions (AVCs)
Ill Health benefits (paid at any age)	Benefits paid immediately for those members certified as permanently incapable of continuing their own or a comparable local government employment until age 65. Membership enhancement of up to 10 years (depending on age and length of membership).	Two-tier ill health retirement package depending on the severity of the member's illness. <b>Tier 1:</b> If a member is unable to undertake gainful employment until at least their normal retirement age, they will get a full pension, based on their membership if they had worked up to age 65. <b>Tier 2:</b> If a member is unable to obtain gainful employment for a reasonable time, but likely to do so before age 65, they will get any pension built up to date of leaving, plus 25% of membership up to age 65.
Employees' Contributions	6% of pensionable pay (5% for protected manual workers)	<b>Pensionable Pay (p.a.)*</b>
		£0 - £12,000
		More than £12,000 up to £14,000
		More than £14,000 up to £18,000
		More than £18,000 up to £30,000
		More than £30,000 up to £40,000
		More than £40,000 up to £75,000
More than £75,000		
		<b>Contribution rate</b>
		5.5%
		5.8%
		5.9%
		6.5%
		6.8%
		7.2%
		7.5%
		*Band ranges will increase each April from April 2009. 5% protection phased out over 3 years from 2008.

### Transfer arrangements:

- ✓ All the improved benefits of the new scheme will be available to all members, including current members, from 1 April 2008.
- ✓ All membership built up before April 2008 will be "banked" and used to provide a pension and automatic tax free lump sum calculated on the existing 1/80<sup>th</sup> pension and 3/80<sup>th</sup> lump sum accrual rates, using final pay at actual date of leaving/retirement. This includes people who have left service and become deferred members by 1 April 2008.
- ✓ All members will earn benefits on the same basis after 1 April 2008, regardless of when they joined or whether they have protection under the 85 year rule.

**Please note:** At the moment we are unable to provide quotes for retirements after 31 March 2008, as our pensions administration software has not yet been updated with the new scheme regulations. Please contact us after February 2008 for retirements after 31 March 2008.

