



Newsflash ...

The Local Government Pension Scheme has changed

In your 'Scheme Talk' newsletter last summer we told you of the changes to the Pension Scheme. For the first 3 months of this year Lancashire Pensions Services has been communicating the changes to members by a series of Roadshows in addition to our normal channels of communication.

The 'New Look' Local Government Pension Scheme continues to be a good quality final salary scheme with full cost of living increase to pensions.

The main changes introduced on 1 April 2008 were...

- An improved way of calculating your pension benefits;
- Different contribution rates dependent on your salary;
- Different levels of ill health benefits;
- A rise in the minimum retirement age to 55;
- Improved death benefits;
- Introduction of nominated co-habiting partners pensions;
- The opportunity to buy up to £5,000 additional pension.

As these changes are very important this information is being sent directly to you. If you would like further details on anything contained in this Newsflash our Pensions Helpdesk contact details are on the back cover.

Kind regards

Diane Lister
Pensions Services Manager



LANCASHIRE PENSIONS SERVICES

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Contribution Rates

Contributions are banded so that all members pay a contribution based on their annual earnings. The banding was assessed by your employer on 1st April 2008. Your employer decides when to review the contribution rate and will have a written policy in place regarding this.

The bands range from 5.5% to 7.5% and will be increased in line with the cost of living each April. This table shows how much you will pay:

Full-time salary	Contribution Rate
Up to £12,000	5.5%
More than £12,000 and up to £14,000	5.8%
More than £14,000 and up to £18,000	5.9%
More than £18,000 and up to £30,000	6.5%
More than £30,000 and up to £40,000	6.8%
More than £40,000 and up to £75,000	7.2%
More than £75,000	7.5%

If you are part-time use the full-time equivalent salary to work out your contribution rate.

If you only work during term time then your contribution rate is again determined on the full-time equivalent salary that you receive but only in respect of the term time period worked over the year.

If you have a protected right to pay 5% the protected 5% contribution rate will be phased out over three years from 2008 as shown below.

From	Contribution Rate
1 April 2008	5.25%
1 April 2009	5.5%
1 April 2010	6.5%
	(or, if lower, the relevant rate from the pay bands above)
1 April 2011	the relevant rate from the pay band table above

Additional Pension

If you want to increase your pension benefits you can choose to pay additional contributions each month from your salary. You must also choose if you want to provide a pension for yourself only or for you and a dependant. You may buy up to £5,000 additional pension in multiples of £250.

If you require further information on buying additional pension a factsheet and calculator is being developed and will be available on our website.

Retirement

The **normal retirement** age for receiving unreduced benefits remains at age 65. You may continue to work **beyond age 65** but must receive your pension benefits before reaching age 75. If retirement occurs after age 65, benefits will be increased to reflect that they are being paid after the normal retirement age.

If you choose to do so, you may still retire **from age 60** but there may be reductions to your benefits, depending on when you joined the pension scheme, your age and membership in the scheme.

The **minimum age** that pension benefits can be taken has increased to age 55 from 1 April 2008 for new members, but this change won't apply until 1 April 2010 if you are an existing member moving to the new scheme. You will receive immediate payment of pension benefits if you have reached this age and either:

- Your employer agrees to your **flexible retirement**, and you reduce your hours or grade. This allows you to draw some or all of your pension benefits whilst continuing to work; or
- Your employer makes you **redundant** or you leave on the grounds of **business efficiency; or**
- Your employer agrees to your retirement **before age 60**

If you leave **due to ill health**, and you are certified as being permanently incapable of carrying out duties of your employment. If you have at least three months membership in the scheme you may also qualify for an increase.

1. If you are unlikely to get another job before you reach 65, enhanced benefits are payable based on the membership you would have achieved up to age 65.
2. If you are unlikely to get another job within three years, but may do before you are 65, enhanced benefits are payable based on quarter of the membership you would have achieved up to age 65.
3. Although the regulations have not been made for this level, the intention is that if you have membership in the scheme and will be able to gain employment within a period of three years, a reviewable pension is payable. Once employment is obtained or the employer stops payment following a review the pension will end and only become payable again at normal retirement age.

There are also some protections in place for certain members of the old pension scheme to make sure that ill health pension benefits are no less than would have been paid under the old pension scheme.

Calculation of Pension Benefits

Pension benefits are calculated according to the amount of membership you have in the pension scheme and the salary that you have paid pension contributions on normally during your last year in the pension scheme (known as 'final pay'). If either of the two previous year's final pay is higher this can be used (if you are part time the full time equivalent is used). Also, if you take a drop in salary, regardless of whether this is voluntary or not, you may apply to use an average of the best three consecutive financial years in the last ten as your final pay figure.



From 1 April 2008 your pension benefits will build up at a higher rate. You will receive an annual pension of 1/60th of your final pay for each year of membership in the pension scheme; the new scheme will not provide you with an automatic tax free lump sum. Pension benefits built up to 31 March 2008 will be calculated on the old '80ths' pension and automatic lump sum as in the example below.

Example

A member retiring at age 65 on 31 March 2018 having been a full time employee joined the pension scheme on 1 April 1998 (ie has 20 years membership) and has final pay of £15,000.

a) Calculate pension benefits to 31 March 2008

Membership from 1 April 1998 to 31 March 2008 = 10 years

$$\frac{10 \text{ years}}{80} \times £15,000 = £1,875 \text{ pension per year}$$

$$3 \times £1,875 = £5,625 \text{ lump sum}$$

b) Calculate pension benefits from 1 April 2008

Membership from 1 April 2008 to 31 March 2018 = 10 years

$$\frac{10 \text{ years}}{60} \times £15,000 = £2,500 \text{ pension per year}$$

c) Total pension benefits:

Annual pension = £1,875 + £2,500 = £4,375 per year

Automatic Lump sum = £5,625 (from membership before 1 April 2008 only)

Further examples are available on our website.

Lump Sum

Although there is no automatic lump sum for membership from 1 April 2008, at retirement you will have the choice of taking part of your pension as a tax free lump sum. You will be able to ask for some of your pension to be exchanged for lump sum at a rate of £12 lump sum for each £1 of annual pension. The maximum lump sum that you receive cannot be more than a quarter of the overall value all your pension benefits (full details will be provided to you when you retire).

Example

Below are examples of the lump sum that would be provided by exchanging pension:

Pension given up	Lump Sum provided
£50	£600
£100	£1,200
£500	£6,000
£1,000	£12,000
£2,500	£30,000

Dependants Benefits

A long term pension will be paid from the day after a members' death to dependents. In addition to pensions being provided for spouses and registered civil partners, a new provision of pensions for nominated co-habiting partners has been introduced. Nominated co-habiting partners pensions, like civil partners pensions, will be calculated on membership from 6 April 1988 only. There are conditions to be met before a co-habiting partner can be nominated. Full details and a nomination form are available to download from our website or by contacting the Pensions Helpdesk. Short term pensions will not be paid for members who die from 1 April 2008.

Pensions for eligible children continue to be payable up to age 23 if the child remains in full-time education or for life if the child has a permanent disability or illness.

Death Grants

Death grants have increased from 1 April 2008.

If you **die in service** a death grant of three times your final pay will be paid. You may still nominate who you wish this to be paid to.

If you **die in retirement** your pension is guaranteed to be paid for 10 years. This means that a death grant of ten years pension will be paid on death up to age 75, less the pension payments you have already received.

If you leave before you are entitled to receive your pension benefits and die before they are paid, a death grant of 5 times your deferred annual pension is payable.

Further information



Further information on the new pension scheme is available on our website, just click on the 'New LGPS' button.

There are also links to the Department for Communities and Local Government website and forum from this area of our website.

You can also contact the Pensions Helpdesk



Pensions Helpdesk

01772 530530



Email

penservices@pens.lancscc.gov.uk



Website

www.lancs-pensions.org.uk

If at anytime you wish to make an individual appointment to see a member of the Pensions Team please contact the Pensions Helpdesk so that we can ensure that someone is available to see you.

Lancashire Pensions Services is not registered to provide financial advice to its members. If you require financial advice it is recommended that you contact an Independent Financial Advisor (a link is available on our website).

The contents of this publication are based on our understanding of the legislation as at March 2008. Nothing in this leaflet can override legislation.