

Your ticket to the new **lgps**

The Local Government Pension Scheme is changing!



All current members of the Local Government Pension Scheme (LGPS) will move into a New Look Scheme on 1 April 2008.

The LGPS will continue to be a good quality final salary pension scheme and pensions will continue to increase in line with the Retail Price Index.

Key Changes

- lgps** Benefits will build up at 60th rather than 80th with no automatic lump sum
- lgps** Contributions will be banded dependent on your rate of pay
- lgps** Membership is available for employees with a contract for a minimum of three months
- lgps** Different levels of ill health pensions
- lgps** Improved death grants
- lgps** Minimum retirement age raised to age 55
- lgps** Introduction of survivor's pensions for nominated co-habiting partners
- lgps** The opportunity to buy up to £5,000 additional pension.



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How much will I pay?

Currently, you pay 6% of the pay you receive on your contractual hours, unless you have a protected right to pay 5%. In the new scheme, contributions will be banded so all members will pay a contribution based on their annual earnings. The band ranges will increase in line with the Retail Price Index each April. Your contribution will be between 5.5% for an annual salary of up to £12,000 and 7.5% for a salary over £75,000.

- What if I am part time?

If you are 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 again determined on the Full Time equivalent pay you receive but only in respect of the term time period worked over the year.

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

If you have a protected right to pay 5% this protection will be phased out over three years from 2008.

When can I retire?

The normal retirement age for receiving unreduced benefits will stay at 65 but you do not have to retire at this age:

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

You can remain in the scheme beyond age 65 but must draw 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 benefits whilst continuing to work. From April 2008, if your employer agrees, 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).

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

You will be able to retire from age 60 but there may be reductions to your benefits, depending on your age and how long you have been a member of the LGPS.

- What if I have to retire due to health reasons?

If you suffer a breakdown in health and have at least two years scheme membership (this may be reduced to three months) you will be entitled to receive an ill-health pension, payable from any age. You will also qualify for an increase to those benefits dependent on the severity of your illness. If you are unlikely to get another job before you reach 65, a higher award 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 award of benefits will be payable. A third level is currently under consultation (closing 12 January 2008).

- Are there any other ways I can retire early?

You can claim your benefits if your employer retires you on the grounds of redundancy or efficiency if you have attained age 55, (or age 50 if you are an existing member and will leave before 31 March 2010).

How will you calculate my pension?

Generally, your pension benefits will be based on your salary "final pay" during your final year of membership in the scheme.

- Is it always the final year of membership for final pay?

Not always, if either of the previous two years is higher this can be used. This means that the best final pay of the last three years may be used. For part time staff, the whole time equivalent pay will be used. In the new scheme, if you take a drop in salary, regardless if this is voluntary or not, you may apply to use an average of the best three (financial) years in the last ten as your final pay figure.

- What calculation will be used?

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

1/80th pension and 3/80^{ths} lump sum

Example

Retire on 31 March 2008 with 40 years pensionable service and final pay of £12, 000 per year.

$$40/80 \times £12,000 = £6,000 \text{ pension per year}$$

$$\text{Lump sum of 3 times pension} = £6,000 \times 3 = £18,000$$

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

1/60th pension only

Example

Retire on 31 March 2048 with 40 years pensionable service and final pay of £12, 000 per year.

$$40/60 \times £12,000 = £8,000 \text{ pension per year}$$

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.

- Can I have the option to take a lump sum?

On membership after the 1 April 2008, you will have the choice whether to take part of your benefits as a tax free lump sum. You may exchange part of your pension into a lump sum at the rate of £1 of annual pension for £12 of lump sum. The maximum lump sum that you receive cannot be more than a quarter of the overall value of all your pension benefits (full details will be provided to you when you retire).

For example

Amount of pension you give up	You will get a lump sum of
£50	£600
£100	£1,200
£250	£3,000
£500	£6,000
£750	£9,000
£1,000	£12,000
£1,500	£18,000
£2,500	£30,000
£3,000	£36,000

How can I increase my benefits?

You will no longer be able to start buying additional service after April 2008 (those who are already buying service will not be affected). If you want to increase your benefits you can choose to buy extra pension in steps of £250 up to a total of £5,000 additional pension. You can also pay Additional Voluntary Contributions (AVCs).

What changes are there to the benefits that will be paid when I die?

- What if I die in service?

The New Look LGPS death in service lump sum has increased from two times your annual pay to three times your annual pay. You may still nominate who you wish this to be paid to.

- What if I die in retirement?

In the new scheme your pension is guaranteed to be paid for ten years; this is an increase 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 family 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 are calculated at 1/160th of your final pay. Civil partners and nominated unmarried partners pensions will be based on service from 5 April 1988 only. Short term pensions (currently paid at the rate of pay/pension at the time of death for up to six months) will no longer be payable in the New Look LGPS.

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 co-habitee.

Further information

Once you leave the Roadshow, if you have any further questions in relation to the New-Look Scheme, please complete the enquiry form and we will get back to you.

Further information is available on our website, just click on the '**New Look 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

 01772 530530

 penservices@pens.lancscc.gov.uk

 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 December 2007. Nothing in this leaflet can override legislation.