

Local Government Pension Scheme (LGPS)

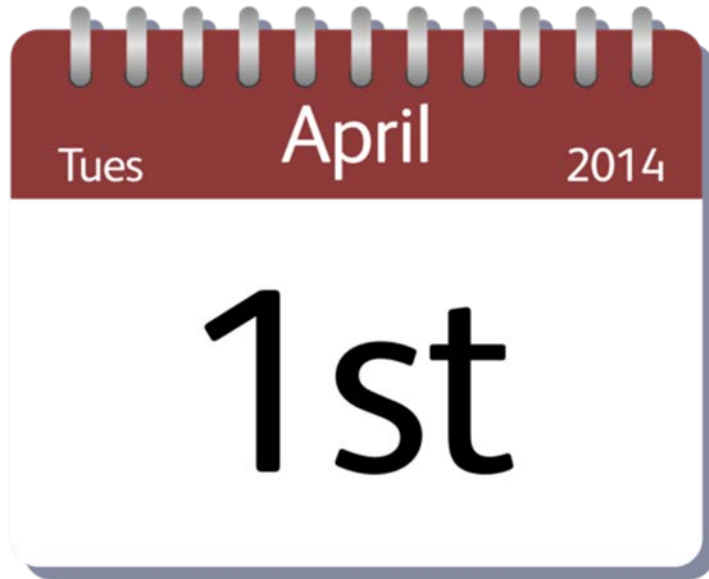
LGPS 2014

‘New Career Average Scheme from 1 April 2014’



WARWICKSHIRE
pension fund

Introduction



Kelly Harrow

Warwickshire County Council



WARWICKSHIRE
pension fund

What will we look at today?

- Dispel the myths about the new scheme
- Find out the facts about:
 - What is changing
 - What remains the same
 - The protections in place for benefits in the final salary scheme



WARWICKSHIRE
pension fund

The Myths...

- The new scheme will cost more?
- The pension you get will be less?
- You will have to work longer to get your pension?



The Reality...

- Average cost of the scheme stays at 6.5%
 - ... for some, new scheme costs less
 - ... for some it could cost more
- You build up pension at a better rate
 - ... 1/49th is better than 1/60th
- Greater flexibility about when to take your pension
 - ... draw your pension from age 55 to 75



The Facts – What's not changing

- Guaranteed defined benefit scheme
 - Valuable life cover - 3 times pay
 - Pension for dependents
 - Ill-health cover
 - Option to take tax free cash lump sum
 - Employer pays too
- ...Still an excellent scheme



WARWICKSHIRE
pension fund

The Facts – New Scheme

Contributions



- 9 contribution rates/ pay bands – main section
- Rate you pay based on actual pensionable pay
- Part-time members may pay less
- Higher paid members may pay more
- Let's take a look at the table ...

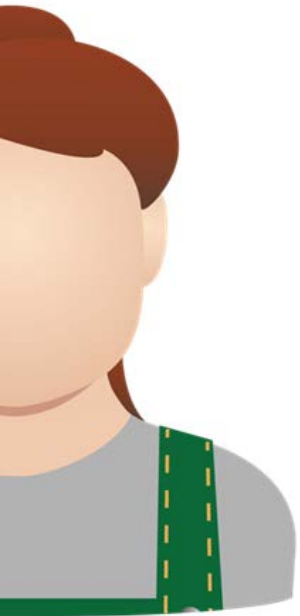


The Facts – New Scheme

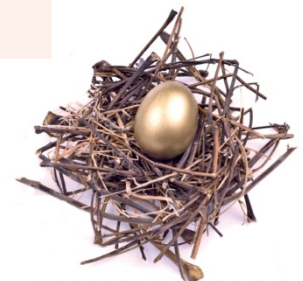
Pay bands Actual Pensionable Pay	Contribution Rate
Up to £13,500	5.5%
£13,501 - £21,000	5.8%
£21,001 - £34,000	6.5%
£34,001 - £43,000	6.8%
£43,001 - £60,000	8.5%
£60,001 - £85,000	9.9%
£85,001 - £100,000	10.5%
£100,001 - £150,000	11.4%
More than £150,000	12.5%



The Facts – New Scheme



Example - Contributions	
Jennifer is a part-time receptionist	
Hours of work	30 hours per week
Full time equivalent Pensionable Pay	£22,220
Actual Pensionable Pay	£18,000
Contribution rate before April 2014	6.5%
Contribution rate from April 2014	5.8%



The Facts – New Scheme

Contribution Flexibility

- Greater flexibility from 1 April 2014
- New option to pay less - 50/50
- Options to pay more



WARWICKSHIRE
pension fund

The Facts – New Scheme

How does new 50/50 section work?

- Pay half your normal contributions
- Get half your normal pension
- Any member can join this section - Elect in writing
- Same level of life and ill-health cover as in the main section
- Short term option (maximum 3 years)



The Facts – New Scheme

Pay more?

- Additional Voluntary Contributions (AVCs)
- Additional Pension Contributions (APCs)



The Facts – New Scheme

Additional Voluntary Contributions (AVC's)		
AVC	Existing Contract	New Contract from April 2014
Contributions Payable	Limit = 50% of pensionable pay (2008 definition)	No limit = up to 100% of pensionable pay (2014 definition)
Tax free cash option	Up to 100% of AVC as tax-free cash (Depending on HMRC limits)	Up to 25% of AVC as tax-free cash



The Facts – New Scheme

Additional Pension Contributions (APCs)

- Buy up to £6,500 extra pension
- Pay regularly or by lump sum
- Cost paid for by you, get a pension for you only (your employer can also award extra pension or pay towards cost)



WARWICKSHIRE
pension fund

The Facts – New Scheme

Shared Cost APC

- Periods of:
 - Unpaid authorised leave and
 - Unpaid additional relevant child related leave
- Lost Pension
- Shared Cost
 - Employer 2/3rds, Employee 1/3rd
- Elect within 30 days of coming back to work



The Facts – New Scheme

Extra Cover

- Ill-health cover
- Life Cover
- Survivors Pensions
- Reduced/ no pay – sick leave and new parent leave cover



The Facts – New Scheme

How is my pension worked out?

- Pension worked out every Scheme Year
- Rate of build-up is $1/49^{\text{th}}$ pensionable pay (half that if in 50/50 section)
- Pensionable Pay - new definition
- Pension added to your Pension Account
- More than one job? Separate Pension Account for each job
- Every year Pension revalued to keep it in line with the cost of living



The Facts – New Scheme

Example - How is my pension worked out?

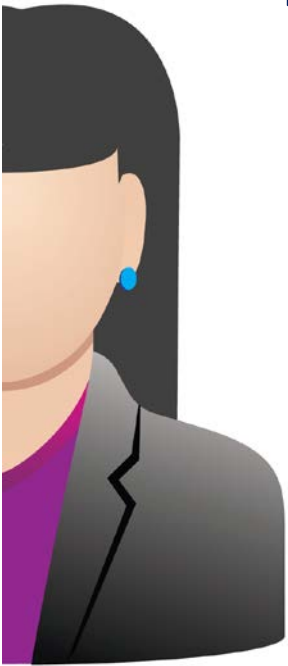
Susan's Pension Account			
Scheme Year		Actual Pay	Cost of Living Adjustment
1	1 April 2014 to 31 March 2015	£24,500	3%
2	1 April 2015 to 31 March 2016	£25,333	3.1%
... In main section of the scheme			



WARWICKSHIRE
pension fund

The Facts – New Scheme

Example - How is my pension worked out?



Scheme Year	Opening Balance	Pension Build up in year	Total Account 31 March	Cost of living adjustment	Updated Total Account
1	£0.00	$\frac{£24,500}{49} = £500$	£500	3% = £15	£515
2	£515	$\frac{£25,333}{49} = £517$	£1032	3.1% = £32	£1,064



The Facts – New Scheme

When can I take my pension?

- Anytime from age 55 to 75
- Normal Pension Age = State Pension Age
- Normal Pension Age = paid in full
- What's my State Pension Age?
- Find out at www.gov.uk/calculate-state-pension
- Take earlier than Normal Pension Age = reduction
- Take later than Normal Pension Age = increase



The Facts – New Scheme

What reductions apply if drawing your pension early?

Years early	Pension Male	Pension Female	Lump Sum membership to 31 March 2008)
1	6%	5%	3%
2	11%	11%	6%
3	16%	15%	8%
4	20%	20%	11%
5	25%	24%	14%
6	29%	27%	16%
7	32%	31%	19%
8	36%	34%	21%
9	39%	37%	23%
10	42%	40%	26%



The Facts – New Scheme

Other types of retirement (No change)

Ill-health

- Payable at any age, 3 Tier system, employer decides
- Any enhancement worked out by reference to Normal Pension Age

Redundancy/ Efficiency

- Payable from age 55
- No reduction for early payment

Flexible Retirement

- Employer consent from age 55
- Draw some or all of your pension
- Remain in work (lower grade and or less hours - see your Employer's policy)



The Facts – Protections

In before April 2014?

- All pension built up before changes = fully protected
- Membership up to 31 March 2014 based on final pay when you leave
- Protected Normal Pension Age - 65 (for almost all members)
- Final Pay protection for reduction or restriction in pay
...Remember all pension is drawn at the same time (pre and post 2014)



The Facts – Protections

Sounds confusing ?
... let's break it down

**Up to 3 different
calculations when working out your pension**

(depending on when you joined)



WARWICKSHIRE
pension fund

The Facts – Protections

Membership up to 31 March 2008		Membership from 1 April 2008 to 31 March 2014		Membership from 1 April 2014
Annual Pension = Membership x Final Pay / 80	+	Annual Pension = Membership x Final Pay / 60	+	Annual Pension = Pensionable pay for each year / 49 (half that if in 50/50 section)
Automatic tax-free cash lump sum = 3 x Annual Pension		No automatic tax-free cash lump sum*		No automatic tax-free cash lump sum*
* Option to convert pension into tax-free cash				



The Facts – Protections

Rule of 85

- What is it?
- Age plus membership in whole years = 85
- Who has protection? = In before 1 October 2006
- This protection continues from April 2014

(*exception = new option of drawing your pension from age 55-60)



The Facts – Protections



Protection for those nearing retirement

- To ensure you get the same as you would have before scheme changed = Underpin check
- Likely that for many new scheme is better
- But '**Underpin**' check carried out for all those it applies to



The Facts – Protections

Who is protected by the Underpin?

- Active on 31 March 2012
- Within 10 years of your Normal Pension Age on 1 April 2012
- No disqualifying break in service of more than 5 years
- Not taken any pension already before your Normal Pension Age



WARWICKSHIRE
pension fund

The Facts – Protections

Existing Contracts

Have you already got a contract to buy more pension or membership?

Could include:

- Added Years (buying additional membership)
- Additional Voluntary Contributions (AVCs)
- Additional Regular Contributions (ARCs)
- Additional Survivor Benefit Contributions (ASBCs)
- Preston part-time buy-back

These continue under the new scheme - under the same rules as before.



WARWICKSHIRE
pension fund

The Facts – Protections

Protection if you leave and re-join the LGPS in the future

- You leave and come back ...
- With a break of 5 years or less (in LGPS or any Public Service Pension Scheme) ...then
- On any pre 1 April 2014 benefits you have a final salary link (used to work out your final salary benefits)



The Facts - Future?

- Cost Management process
- Review contribution rates and benefits every three years
- Ensure Schemes long-term future
- More robust governance

for you, for now, for the future



WARWICKSHIRE
pension fund

More information

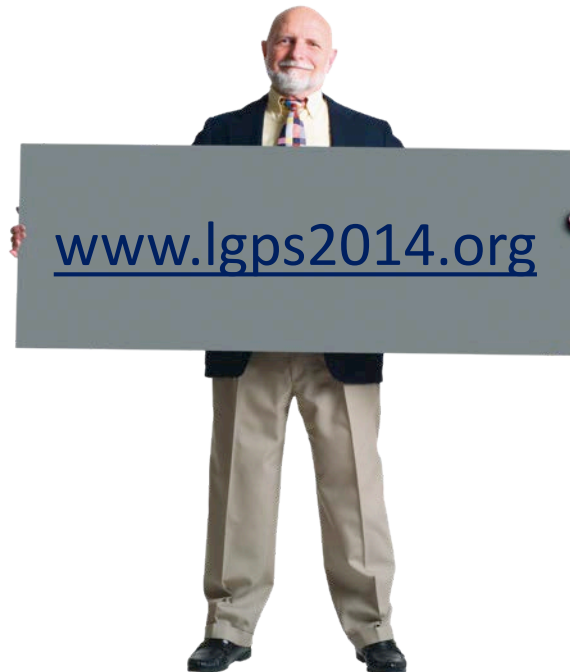
www.lgps2014.org



WARWICKSHIRE
pension fund

Contact your Fund

- Website www.warwickshire.gov.uk/pensions
- Email pensions@warwickshire.gov.uk
- Telephone 01926 412186



WARWICKSHIRE
pension fund

Disclaimer

These slides explain the changes to the Local Government Pension Scheme (LGPS) from April 2014 as well as the protections in place for members of the scheme who have built up benefits in the scheme before 1 April 2014. It does not cover councillors pensions or the LGPS in Scotland. It reflects known changes at the time of publication in February 2014.

The information contained in these slides has been prepared by the LGPC Secretariat, a part of the Local Government Association (LGA). It represents the views of the Secretariat, based on our current understanding of the law. It should not be treated as a complete and authoritative statement of the law.

Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the LGPC Secretariat or the LGA for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in these slides.



WARWICKSHIRE
pension fund