

## **CHANGES TO THE LGPS EFFECTIVE FROM 1<sup>ST</sup> APRIL 2008.**

### **1 J Joining the LGPS**

- 1.1 To be able to join the LGPS an employee must have a contract of employment that lasts a minimum of least 3 months and be under age 75.
- 1.2 New employees who are eligible are automatically brought into the Scheme, except for employees of admitted bodies who can join by completing an application form.
- 1.2 Employees who have previously opted out of membership can opt back into the Scheme provided they meet the criteria in 1.1.

### **2 New Contribution Rates**

- 2.1 Instead of the current 6%, a percentage is calculated according to the employee's whole time equivalent pensionable pay on the 1<sup>st</sup> April 08 as per the table below:

<b>Band</b>	<b>Earnings</b>	<b>Contribution Rate</b>
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%

- 2.2 The elements included in pensionable pay have not changed they are still salary, local weighting & local award plus any other element that forms part of the employee's contract.
- 2.3 The description on payslips reads LGPS followed by the % band the employee falls within.
- 2.4 It has been estimated that overall the new bandings will increase the employer's contributions by 1%. This has been taken into account in the budget for 2008/9.

### **3 Benefits Calculations**

- 3.1 The New LGPS is still a final salary scheme. To be entitled to retirement benefits an employee must have been a member of the LGPS for at least 3 months or have transferred in other pension rights.

- 3.2 For each year you have built up in the scheme to 31 March 2008, employees will receive a pension of 1/80th of their final year's pay plus an automatic tax-free lump sum of 3 times their pension.
- 3.2 For each year employees build up from April 2008 their pension will be at the increased rate of 1/60th of their final year's pay. There will be no automatic lump sum for membership built up after March 2008 but employees do have the option to get a tax free lump sum in exchange for some of their pension.
- 3.3 Up to 25% of the overall value of the pension benefits can be taken as a lump sum, with £12 lump sum for each £1 of annual pension given up.
- 3.4 Retirement benefits in the new scheme will normally be calculated on an employee's final year's pensionable pay (part-time workers final pay is increased to what they would have received had they been full-time). However, benefits can be calculated on one of the two previous years' pay if better and, if an employee downgrades in their last 10 years or their pay is restricted in that period, they have the option to have the benefits based on the average of any 3 consecutive years in the last 10 years (ending on a 31 March).

## **4 Retirement**

- 4.1 The scheme's normal pension age remains at 65. If an employee continues working beyond age 65, they can stay in the scheme but they must draw benefits by age 75. Benefits drawn after 65 will be increased.

### **4.2 Early retirement**

Employees can still choose to retire and draw benefits from age 60, although they may be reduced for early payment.

The earliest age an employee can ask for early retirement with their employer's consent increases from 50 to 55 from 1 April 2008 for new members, but this change won't apply until 1 April 2010 for existing members being moved over to the new scheme.

### **4.3 Redundancy or efficiency retirement**

The earliest age immediate benefits are paid for those made redundant or retired on business efficiency grounds also increases from 50 to 55.

Again, this change occurs from 1 April 2008 for new members but won't apply until 1 April 2010 for existing member being moved over to the new scheme.

### **4.4 Flexible retirement**

Current Scheme:

Employees reducing their hours or grade can draw **all** of the benefits they have built up at that point in time. They can also still draw pay on the reduced hours or grade, and even continue paying into the scheme, building up further benefits.

New Scheme:

Employees taking flexible retirement, instead of having to draw **all** of the benefits that have built up prior to taking flexible retirement, can, if their employer agrees, draw **some or all** of the benefits.

Benefits for employees taking flexible retirement before 65 may be reduced for early payment.

The earliest age for flexible retirement increases from age 50 to 55 from 1 April 2008 for new members, and from 1 April 2010 for existing member being moved over to the new scheme.

#### 4.5 Ill-health retirement

4.5.1 The new scheme has targeted benefits for those unable to work because of serious illness.

4.5.2 If an employee has to leave work at any age due to permanent ill-health the new scheme provides a tiered ill-health retirement package. This gives graded levels of benefit based on how likely it is that the person will be capable of gainful employment after they leave.

4.5.3 Ill-Health Retirement Tiers:

➤ **100%**

Employees with at least 2 years in the pension scheme and no reasonable prospect of being capable of gainful employment before age 65 will receive ill health benefits based on the membership built up to date of leaving **plus all** prospective membership from leaving to age 65. The pension will therefore be based on the membership they would have had if they had stayed in the Scheme until age 65.

➤ **25%**

Employees with at least 2 years in the pension scheme who are unlikely to be capable of gainful employment within a reasonable period of leaving, but who may be capable of gainful employment at some date in the future before age 65, will receive ill-health benefits based on their membership built up to leaving **plus 25%** of prospective membership from leaving to age 65.

4.5.4 There are protections for existing Scheme members who will be aged 45 or over on 31st March 2008, to ensure they receive no less than they would have done under the current Scheme.

4.5.5 The Government is currently consulting on the nature of the ill-health benefit payable if an employee leaves because they are permanently unable to do their LGPS job and have less than 2 years membership in the Scheme or if they leave because they are permanently unable to do the LGPS job but could immediately or within a reasonable period undertake other gainful employment.

## **5 Increasing Benefits**

- 5.1 From 1 April 2008 employees in England and Wales can pay more in contributions to buy up to £5,000 of extra annual pension in multiples of £250.
- 5.2 Buying extra years of membership longer available in the new scheme. Employees already paying more to buy extra years will continue to pay for them and receive extra benefits on the same basis that was agreed.
- 5.3 Employees can still pay additional voluntary (AVCs ) to increase there benefits.
- 5.4 In the new scheme, employers can also augment an employees membership by up to 10 years; grant them extra annual pension of up to £5,000; and contribute, along with the employee, to a Shared Cost AVC. These are all discretions that the employer can make use of if they wish.

## **6 Death Benefits**

### **6.1 Death Grants**

- 6.1.1 Provided an employee makes contributions into the LGPS on or after the 1<sup>st</sup> April 2008 they will be entitled to the improved death in-service tax-free lump sum (know as "Death Grants") if they pass away before the age of 75.
- 6.1.2 The Death Grant increases from two to three times the employees annual pensionable pay. For part time employees it will be three times their actual part-time pay.
- 6.1.3 For member of the Scheme who leaves with deferred benefits and dies before receiving them the death grant increases from three to five times the deferred annual pay.
- 6.1.4 Death Grants for the death of a pensioner increase from five to ten times the annual pension being paid, less the amount of pension already paid out.

### **6.2 Survivors' Pensions**

The LGPS already provides a pension for the husband, wife, or registered civil partner and for eligible children on the death of member. Under the new scheme the member can also nominate a same or opposite sex co-habiting partner to receive a survivor's pension. To nominate a co-habiting partner their relationship has to meet certain conditions laid down by the LGPS.