

LGPS

The Local Government Pension Scheme

2014 – OVERVIEW

December 2012

This overview sets out the main features of the proposed LGPS 2014 starting from 1 April 2014. This new scheme has resulted from the first phase of the LGPS 2014 Project – a process of negotiation between The Local Government Association (LGA) and the Local Government unions in consultation with the government, and is subject to consultation before it is introduced.

Please note, the information given in this overview may change in the event of the scheme overview changing following consultation.

New scheme from 1 April 2014	Current Scheme
Retirement benefits based on a Career Average Revalued Earnings (CARE) scheme for all membership from 1 April 2014	Retirement benefits based on “final salary”
Accrual rate to be 1/49th	Accrual rate – 1/60 for membership from 1 April 2008 1/80 for membership pre 1 April 2008 + an automatic lump sum of 3/80 X membership
Each member’s Normal Pension Age (NPA) will be the same as their State Pensions Age	Age 65, or in accordance with any “rule of 85” protection
Salary bandings extended with contributions deducted on all pay received, including part and term timers – <i>see table overleaf</i>	Salary bandings but with contributions based on whole time equivalent pay for part and term timers

New scheme from 1 April 2014	Current Scheme
<p>50:50 option: for those wishing to be a member of the scheme, but do not wish to pay the full contribution rate, you pay 50% of the contributions and so receive 50% of the pension package, but retain full value of other benefits, such as ill health pension, death in service, and redundancy</p>	<p>No equivalent</p>
<p>Benefits for service prior to 1 April 2014 are protected, including "Rule of 85" protection put in place in 2006. Past service also to be based on Final salary when you eventually retire. Further protections are to be put in place for those members within 10 years of age 65 as at April 2012</p>	<p>"Rule of 85" protection in place at 2006.</p>
<p>Where scheme members are out sourced to a non council contractor under a TUPE arrangement, they will be able to stay in the scheme on the first and any subsequent transfers.</p>	<p>The new employer chooses whether or not to ask for Admitted Body status in the pension scheme</p>

Proposed salary bandings table – based on your Gross pay earned

£0 - £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%

At a glance details comparisons of the new and existing scheme, as well as those detailed previously:

New scheme from 1 April 2014	Current Scheme
Pensionable pay to include all non contractual overtime plus additional hours for part time staff	Pensionable pay excludes non-contractual overtime and non pensionable additional hours
commuting (converting) pension to lump sum, at the rate of 1:12 to give additional lump sum. So for every £1 of pension given up, you receive £12 lump sum	commuting (converting) pension to lump sum, = 1:12 to give additional lump sum So for every £1 of pension given up, you receive £12 lump sum
death in service = 3 times pensionable pay	death in service = 3 times pensionable pay
death in service survivor benefits = 1/160 based on Tier 1 ill health pension enhancement	death in service survivor benefits = 1/160 based on Tier 1 ill health pension enhancement
<p>Ill health Provision – 3 Tiers</p> <ul style="list-style-type: none"> • Tier 1 - immediate payment with service enhancement to Normal Pension Age • Tier 2 - immediate payment with 25% service enhancement to Normal Pension age • Tier 3 – Temporary payment of pension for up to a max of 3 years, no enhancement 	<p>Ill health Provision – 3 Tiers</p> <ul style="list-style-type: none"> • Tier 1 - immediate payment with service enhancement to age 65 • Tier 2 - immediate payment with 25% service enhancement to age 65 • Tier 3 – Temporary payment of pension for up to a max of 3 years, no enhancement
The rate at which benefits increase will be in line with CPI	The rate at which benefits increase is in line with CPI, previously RPI prior to 2011 increases
<p>Vesting period – 2 years membership</p> <p><i>This is the minimum time you need to be a member of the scheme to qualify for a retirement benefit. It is also the time limit to have a refund of contributions.</i></p>	<p>Vesting period – 3 months membership</p> <p><i>This is the minimum time you need to be a member of the scheme to qualify for a retirement benefit. It is also the time limit to have a refund of contributions.</i></p>

EXPLANATION OF TERMS

50/50 option	The ability for contributing members of the LGPS 2014 scheme to pay half their employee contribution rate in return for half accrual rate.
Accrual rate	The proportion of Pensionable pay that each year of membership adds to your pension – effectively the speed at which your pension builds up
CARE	Career Average of Revalued Earnings
CPI	Consumer Price Index
Deferred Pension	Pension built up by members who leave before retirement
Final Salary	A type of defined benefit pension scheme in which your pension is largely determined by your salary at retirement
HMRC	Her Majesty's Revenue and Customs (formerly the Inland Revenue)
LGPS 1997	The Local Government Pension Scheme in operation prior to April 2008
Indexation of benefits	The increase applied to pension in payment (and deferment) each year in order to retain its value, - From April 2011, index used is CPI
LGPS 2008	The Local Government Pension Scheme in operation from April 2008 to the present time
LGPS 2014	The Local Government Pension Scheme due to be introduced from April 2014
Normal Pension Age (NPA)	The age at which the scheme will pay your benefits without actuarial reduction or enhancement as of right
Pensionable pay	The pay used to calculate employee contributions and benefits
RPI	Retail Prices Index. This is the measure that was used prior to April 2011 for increases to pensions in payment and deferment.
Rule of 85	A provision in the LGPS 1997 that enabled some members with long service who retire below 65 to have their pension unreduced. This has been phased out, but some members have protected service under the transitional protection arrangements made in 2006
State Pension Age	The age at which, based on your date of birth, your state pension becomes payable
Tax relief	Pension contributions are deducted from your earnings before tax is calculated. This is known as pension tax relief

Further and more detailed information on the current and the proposed schemes can be found on the following website: www.yourpension.org.uk

Click on the **LGPS 2014** tab, and then on **Documentation** from the list on the left hand side of the screen. Click on **Scheme Reform explained** for a list of documents.

The following give more detailed explanations of the changes

- Consultation accepted by both employers and members
- Scheme reform at a glance
- Overview
- Career average explained
- Protections for current members
- Contribution rates

Other documents that may be of interest

- Frequently asked questions on scheme reform
- Retirement age
- Worked examples on the new scheme

These documents can also be found on: www.lgps.org.uk