HOW IS MY PENSION WORKED OUT?

Introduction

In this leaflet we will look at the way your pension will be worked out from April 2014. In particular:

- The two sections of the new scheme
- The changes to 'pay' for pension purposes
- The introduction of Pension Accounts
- The scheme year
- The vesting period
- How your pension will build up
- How your pension will be adjusted to take account of changes in the cost of living
- Checking your Pension Account
- Taking part of your pension as a lump sum
- Protections for existing pension built up to 31 March 2014

Let's look at these in more detail.

Sections of the scheme

There are two sections in the scheme from 1 April 2014 – the main section and the 50/50 section.

The main section of the scheme is the section you will be placed in. In that section, you pay normal contributions and get your normal pension build up.

The 50/50 section is a new option. You will be able to elect to move to this section if you wish. If you do so, you will then pay half contributions but, whilst you are in the 50/50 section, you will only be building up half the normal pension benefits. Anyone in the 50/50 section can move back to the main section whenever they wish.

Regardless of the section you are in, you get full life assurance cover and full ill health cover.

Pensionable Pay

Pensionable pay is the amount of pay on which you pay contributions. From 1 April 2014 it includes non-contractual (as well as contractual) overtime and any additional hours worked in excess of your contractual hours.

Pension Accounts

From 1 April 2014 you will have a Pension Account in the scheme for each pensionable employment you hold. So, for example, if you hold two separate pensionable part-time employments you will have two Pension Accounts.

Your Pension Account for an employment will hold the pension you have built up in that employment.

Scheme Year

The scheme year runs from 1 April to 31 March.

Vesting Period

The vesting period in the LGPS is 2 years from the 1 April 2014. This means you need to have been a member of the scheme for 2 or more years to be awarded a pension unless you meet the vesting period for some other reason including, for example, where you are disqualified from receiving a refund because you already have a deferred pension or pension in payment with another LGPS Fund in England or Wales. If you leave the scheme before meeting the vesting period you would normally have the option of taking a refund of contributions from the scheme or, if you have three or more months' membership, transfer out to another pension scheme.

Rate of pension build up

Each year, you will build up a pension at a rate of 1/49th of the amount of pensionable pay you received in that scheme year (or, if you had been on reduced pay due to sickness or relevant child related leave[1], the pay you would have received). The amount of pension you build up is added to your Pension Account at the end of each scheme year.

For any period you were in the 50/50 section the pension you build up would be half your normal pension build up.

You can add extra amounts into your Pension Account - for example, if you decide to pay extra contributions to buy additional pension, or you transfer pension from another pension scheme, the amount of extra pension bought will be added to your Pension Account.

In certain circumstances, amounts can be deducted from your Pension Account – for example, if a Court orders that part of your pension should be transferred to an ex-spouse or civil partner following divorce or dissolution of a civil partnership.

Cost of living adjustment

The amount of pension in your Pension Account at the end of each scheme year will be adjusted in line with the cost of living - as currently measured by the Consumer Prices Index (CPI) - to ensure it keeps its value.

[1] Ordinary maternity, paternity or adoption leave and any period of paid additional maternity, paternity or adoption leave.

How a pension will be worked out – an example.

Susan is in the main section of the scheme from 1 April 2014 to 31 March 2015 and earned £24,500 in that year.

Scheme year:	2014/15
Section of scheme:	Main Section
Rate of build up:	1/49th of pensionable pay
Pensionable pay:	£24,500
Amount of pension built up:	£500 (i.e. £24,500 divided by 49)

So, at the end of the scheme year, £500 is added to Susan's Pension Account. To make sure the amount keeps it value, the total in the Pension Account will be adjusted in line with the cost of living. If inflation was, say, 3%, the £500 in Susan's account at the end of the scheme year (31 March 2015) would be increased on 1 April 2015 to £515.

Susan remains in the main section of the scheme during the next scheme year (1 April 2015 to 31 March 2016) and earns £25,333 in that year.

Scheme year:	2015/16
Section of scheme:	Main Section
Rate of build up:	1/49th of pensionable pay
Pensionable pay:	£25,333
Amount of pension built up:	£517 (i.e. £25,333 divided by 49)
Amount of pension brought forward:	£515
Total pension in Account:	£1,032

So, at the end of the second scheme year, Susan has £1,032 in her Pension Account. As before, to make sure the amount keeps it value, the total in the Pension Account will be adjusted in line with the cost of living. If inflation was, say, 3.1%, the £1,032 in the account at 31 March 2016 would be increased on 1 April 2016 to £1,064.

If Susan had been in the 50/50 section during those two scheme years the amount in her Pension Account would be half the amounts shown above.

Checking your Pension Account

Your employer will, at the end of each scheme year, pass details of your pensionable pay for your employment to your pension fund. That information will be used to update your Pension Account. You will have an opportunity to check the amount in your Pension Account each year as the information will be shown on the Annual Statement that will be sent to you. Your Annual Statement will also show the value of any pre 2014 benefits you have built up. It's important that you check your Annual Statement each year.

Lump sum

In the new scheme you can still exchange some pension to get a tax-free cash lump sum. For every £1 of pension you give up you will get £12 of tax-free lump sum (subject to HM Revenue and Customs limits).

Protections

Any pension you have built up before 1 April 2014 is fully protected. When your pension is due for payment your pension fund will work out and pay you the combined value of the pension you built up in the final salary scheme before 1 April 2014, which will still be calculated using your final year's pay when you leave, and the value of the pension you build up from 1 April 2014 in your Pension Account. A separate leaflet providing more information on protections 'Paying into the LGPS before April 2014' is also available.

Further leaflets available:

There are three further leaflets available in this series:

- Member contributions and the flexibility to pay more or less
- When can I take my pension?
- Paying into the LGPS before April 2014?

For more information on the new scheme and to view videos explaining the new scheme and to try out the pension account modeller to see how a pension account works please visit www.lgps2014.org

for you, for now, for the future
lgps 2014

Disclaimer

This is a brief leaflet explaining the changes to the LGPS from 1 April 2014 for employees in the LGPS in England or Wales. It reflects the known changes at the time of publication in March 2014. In the event of any dispute over your pension benefits the appropriate legislation will prevail. This leaflet does not provide any contractual or statutory rights and does not override any existing legislation.

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