

SUMMARY OF THE NEW LOOK PENSION SCHEME

The Local Government Pension Scheme (LGPS) will be amended from 1 April 2008 and the highlights of the Scheme are set out below. Unfortunately not all the necessary regulations have been made and laid before Parliament, therefore there may be some further additions or clarification required.

1. Employees must have a contract of employment of at least 3 months duration in order to be entitled to join the Scheme.
2. Existing members move to the new scheme from 1 April 2008. The new Scheme provides a pension of 1/60th of final pay for each year of membership in the scheme after 31 March 2008. There will be no automatic lump sum in respect of post 31 March 2008 membership. Membership to 31 March 2008 will still be calculated as 1/80th pension plus 3/80th lump sum.
3. Up to 25% of the capital values of benefits can be taken as a lump sum by commutation using the 12 to 1 commutation rate, i.e. for every £1 of pension given up the member gets £12 lump sum.
4. Contributions will be payable on the same definition of Pensionable pay but no contributions can be collected from pay after age 75.
5. Employees are to pay contributions according to the following table based on their whole time equivalent Pensionable Pay;

Band	Pensionable Pay Range 2008/09	Contribution Rate %
1	£0 - £12,000	5.5
2	>£12,000 - £14,000	5.8
3	>£14,000 - £18,000	5.9
4	>£18,000 - £30,000	6.5
5	>£30,000 - £40,000	6.8
6	>£40,000 - £75,000	7.2
7	>£75,000	7.5

Note: Existing manual workers who pay contributions at the protected 5% contribution rate will be bought into line with all other Scheme members from 1 April 2011. Their contributions will rise gradually from 1 April 2008 so that by 2011/12 everyone will fall within the standard bands shown above.

6. Apart from benefits on death in service, members must have a minimum of 3 months membership or have had a transfer of pension rights from another scheme into the LGPS in order to be entitled to benefits.
7. Benefits will be calculated on final pay being the best one of the last 3 years' Pensionable Pay plus the average of any fees received in the last 3 years. Members whose post is downgraded or who voluntarily downgraded in the 10 years before leaving (other than flexible retirees) can, if they wish, choose to have benefits based on the average of any 3 consecutive years in the last 10 (ending on a 31 March).
8. Normal retirement age will be age 65, but with the right to take pension from age 60 or, with employer consent, from age 55 (or from age 50 for existing members opting to draw benefits with employer consent before 31 March 2010). Benefits voluntarily drawn before

age 65 will be subject to an actuarial reduction for early payment (subject to the old 85 year rule protections).

9. Employees can be in the Scheme beyond age 65 but benefits must be drawn before age 75. Benefits drawn beyond 65 will be actuarially increased.
10. Flexible retirement with employer consent will be permitted from age 55, with members being able to draw all or part of their benefits (or from age 50 for existing members opting to draw all or part of their benefits on flexible retirement with employer consent before 31 March 2010). (Subject to Council Policy).
11. Immediate payment of unreduced pension benefits following redundancy/efficiency retirement on or after age 55 (or from age 50 for existing members leaving before 2010).
12. Tiered ill health benefits system within the pension scheme. If the member's employment is terminated because of permanent ill health and the person has a least 2 years' membership then:
 - A pension based on accrued membership plus 25% of prospective membership between leaving and age 65 is payable if the member is unlikely to obtain gainful employment within a reasonable period of time but is likely to be able to obtain gainful employment before age 65 or
 - A pension based on accrued membership plus 100% of prospective membership between leaving and age 65 is payable if the member has no reasonable prospect of obtaining gainful employment before age 65.

Gainful employment is defined as 'paid employment for not less than 30 hours per week for a period of not less than 12 months'.

Note that for members whose employment is terminated on the grounds of permanent ill health but who are likely to be able to obtain gainful employment within a reasonable period of time it is proposed that a third tier within the pension scheme be created being a reviewable benefit based on accrued membership only (i.e. with no enhancement) which would stop when gainful employment was obtained.

13. A death grant of 3 times pay for death in service; a death grant of 5 times pension if a deferred beneficiary dies; and a death grant of 10 times pension less the amount of pension already paid if a pensioner dies before age 75.
14. Spouses' pensions and civil partners' pensions continue to be based on a 1/60th accrual rate; nominated cohabiting partners' pensions are being introduced also on a 1/60th accrual rate (on post 5 April 1988 membership only); childrens' pensions are to be paid to eligible children, the amount depending on the number of eligible children and whether or not a spouse's, civil partner's or nominated cohabiting partners' pension is payable.
15. Members will be able to buy extra scheme pension in multiples of £250 up to a maximum of £5,000 (to provide a pension for themselves only or to provide a pension for themselves and any survivor on their death) and/or they can pay Additional Voluntary Contributions.
16. Employers will be able to augment membership by up to 10 years; and/or grant extra pension of up to £5,000; and/or contribute, with the Scheme members to a Shared Cost AVC. (Subject to Council Policy).

17. Trivial pensions maybe commuted into a single lump sum payment in accordance with HMRC rules.
18. A cost sharing mechanism is to be established by 31 March 2009. Employing authorities and scheme administering authorities will be required to have regard to guidance which is to be issued by the Secretary of State before 31 March 2009 detailing the manner in which the costs of the scheme will be met after 31 March 2010.