

Royal County of Berkshire Pension Fund

A guide for members with pre and post 1 April 2014 membership

As part of the general review of Public Sector Pension Schemes, the Government introduced changes to the Local Government Pension Scheme (LGPS) for employees in England and Wales from 1 April 2014.

This factsheet explains the changes made to the LGPS for members paying into the Scheme on 31 March 2014 who automatically transferred to the 'new-look' LGPS on 1 April 2014. The LGPS has been updated to reflect the work patterns and needs of a modern workforce and to ensure that it is affordable whilst still providing an excellent level of pension benefits.

What kind of pension scheme is the LGPS?

The LGPS is a registered public scheme and is known as a Defined Benefit (DB) occupational pension scheme.

The LGPS is available to all employees in local government, or in other organisations that have chosen to participate in it. Teachers, police and firefighters are not able to join as they have their own pension schemes. You need to be under age 75 to join the LGPS. If you become employed in local government you will normally become a member of the LGPS automatically if your contract of employment is for at least three months' duration, unless you opt not to join. Even if your contract is for less than three months you have a right to opt-in. If you are employed by a town or parish council or certain admitted bodies, you must be designated by your employer as being eligible for membership.

Protections for existing scheme members

On 1 April 2014 if you were paying into the LGPS you automatically joined the new Career Average Revalued Earnings (CARE) pension scheme. All the pension you built up in the LGPS before this date is fully protected. This means that your pension membership built up to 31 March 2014, will continue to be based on your final pay when you leave your employment in the future. We will take a closer look at how your pension is calculated further on in this guide.

Contributions

What do I pay?

The amount of contribution that you pay is determined by how much you earn, as assessed by your employer and in accordance with LGPS regulations.

The contribution percentage rates are split into several salary bandings so the more you earn, the higher your contribution rate will be. The salary bands may increase annually in line with inflation.

There are two sections of the LGPS the MAIN section and the 50/50 section. Under the MAIN section of the scheme you pay your normal



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contribution rate to get the normal pension build up. You will be entered into the MAIN section of the LGPS upon joining your employer.

Under the 50/50 section you pay half your normal pension contribution and get half the pension build up in return.

The contribution bandings for 2024/2025 are detailed below:

| Banding | Annual Salary Range | MAIN Section | 50/50 Section |
|----------------|----------------------------|---------------------|----------------------|
| 1 | Up to £17,600 | 5.5% | 2.75% |
| 2 | £17,601 to £27,600 | 5.8% | 2.9% |
| 3 | £27,601 to £44,900 | 6.5% | 3.25% |
| 4 | £44,901 to £56,800 | 6.8% | 3.4% |
| 5 | £56,801 to £79,700 | 8.5% | 4.25% |
| 6 | £79,701 to £112,900 | 9.9% | 4.95% |
| 7 | £112,901 to £133,100 | 10.5% | 5.25% |
| 8 | £133,101 to £199,700 | 11.4% | 5.7% |
| 9 | £199,701 or more | 12.5% | 6.25% |

The rate of contribution you pay will be based on your actual pensionable pay. Every April, your employer will decide your appropriate rate of contributions for each employment by matching your actual pensionable pay to the appropriate band in the contributions table as set out in Regulations.

More about the 50/50 section

Under the MAIN section of the scheme you pay your normal monthly contribution rate to get the normal pension build up. Under the 50/50 section you pay half your normal pension contribution and get half the pension build up in return.

On becoming a member of the LGPS you will automatically be placed into the MAIN section of the scheme. You will then be able to move to the 50/50 section if you wish. If you have more than one employment you can elect to move into the 50/50 section in one, some or all your employments.

Regardless of the section you are in, you will get full life assurance cover. You will also be fully protected under ill-health retirement provisions.

How long can I remain in the 50/50 section?

The 50/50 section is designed to be a short-term option for when times are tough financially. Because of this your employer is required to re-enrol you back into the MAIN section of the scheme from their automatic re-enrolment date or if you enter a period of no pay following long-term sickness.

Your employer will tell you when this is if you're in the 50/50 section of the scheme. If you wish to continue in the 50/50 section at that point you would need to make another election to remain in that section.

You can choose to revert back to the MAIN section of the scheme at any time by informing your employer in writing and you will then start to build up full benefits in the MAIN section from your next available pay period.

50/50 Section Example

A member works full-time and earns £20,000 per annum. They elect to join the 50/50 section of the scheme. Their contribution and pension build up would be as follows:

| | MAIN Section | 5050 Section |
|--|--------------------------|--------------------------|
| Annual Pensionable Pay | £20,000 | £20,000 |
| Build up rate | 1/49th | 1/98th |
| Gross monthly contribution amount | £96.67 (5.8%) | £48.33 (2.9%) |

What if I work part-time?

If you work part-time your contribution rate will be assessed based on your actual annual part-time pensionable pay.

What is my Pensionable Pay?

Pensionable pay is the amount of pay on which you pay contributions. It includes pay received in respect of all overtime (contractual or non-contractual) and any pay received in respect of any additional hours worked in excess of your contractual hours.

The formal definition of pensionable pay under **Regulation 20** of the LGPS regulations 2013 can be found by following this link:

<http://lgpsregs.org/schemeregs/lgpsregs2013/timeline.php#r20>

We have provided a quick reference pensionable/non-pensionable checklist of the most common payroll elements.

| Pay element | Pensionable | Non-pensionable |
|--------------------------------|-------------|-----------------|
| Basic Salary | ✓ | |
| Bonus/Honorarium | ✓ | |
| Buying/selling of annual leave | | ✓ |
| Car Allowance | | ✓ |
| Contractual overtime | ✓ | |
| *Non-contractual overtime | ✓ | |
| First Aid Allowance | | ✓ |
| Pay in Lieu of Notice (PILON) | | ✓ |
| London Weighting | ✓ | |
| Mileage Claims | | ✓ |
| Pay in Lieu of Holiday | | ✓ |

| Pay element | Pensionable | Non-pensionable |
|---|-------------|-----------------|
| Severance Payment | | ✓ |
| Sleeping in Allowances | ✓ | |
| Statutory Maternity Pay (SMP) | ✓ | |
| Statutory Sick Pay (SSP) | ✓ | |
| <p>*Non-Contractual Overtime must not be included in final pay calculations. Under the LGPS 2008 regulations non-contractual overtime is defined as non-pensionable pay.</p> | | |

Tax relief

As a member of the LGPS, your contributions attract tax relief at the time they are deducted from your monthly pensionable pay.

Does my employer contribute?

Your employer pays the balance of the cost of providing your benefits. Every three years an independent review is undertaken to calculate how much your employer should contribute to the Scheme. In order that Scheme benefits remain affordable, increases or decreases in the cost of providing those benefits may, in the future, be shared between Scheme members and employers. This will be in accordance with Government guidance.

Typically, your employer pays around twice as much as you do into the LGPS to provide you with the benefits that you will ultimately receive.

Can I transfer pension benefits into the LGPS?

Generally speaking, benefits that you have previously built up in another LGPS fund or in other pension arrangements can be transferred and will buy an additional pension benefit in the LGPS. An expression of interest to transfer your pension rights into the LGPS must be made within 12 months of joining or such longer period as your employer allows. Further details can be found on our website along with an application form in our guide '**Transferring former pension rights**' - <https://berkshirerensions.org.uk/bpf/members/active-members/transferring-former-pension-rights>

Can I increase my benefits?

You can make additional payments to increase your retirement benefits and life cover. You can do this either by paying Additional Pension Contributions (APCs) to the LGPS, by making payments to the Scheme's Additional Voluntary Contribution (AVC) arrangement with Prudential, or by making payments to a personal pension, stakeholder pension or free-standing AVC scheme of your own choice. Further details can be obtained from the pension team or by visiting our website.

How is my pension calculated?

If you were an existing member of the LGPS at 1 April 2014 you will have automatically joined the Career Average Revalued Earnings (CARE) scheme. The pension you have built up in the LGPS before this date is fully protected.

Pension Benefits built up before 1 April 2014

Your pre 1 April 2014 pension benefits are calculated based on your pre 1 April 2014 membership (in years and days) and your final salary at your eventual date of leaving.

Final Salary

Protection is in place to ensure you can use your final salary when you eventually leave your employment to work out your pension for the membership you built up to 31 March 2014. Your final salary is normally the average full-time equivalent pay in respect of your final year of scheme membership on which you paid contributions.

Important: If you have a break in membership from public service pension schemes for more than 5 years then any final salary benefits in the LGPS are transferred across to the Career Average scheme unless you choose to retain them as separate final salary benefits.

Membership

Membership built up in the Scheme before 1 April 2014 is used to calculate your benefits in the final salary scheme. Only membership you build up from 1 April 2014 onwards is calculated under the rules of the career average scheme.

Change in Pensions Build Up Rate

Up until the 31 March 2008 an LGPS pension built up at the rate of 1/80th of final salary for each year or part year of Scheme membership. Attached to this was an automatic tax-free lump sum equal to three times the value of the annual pension. From the 1 April 2008 an LGPS pension built up at a rate of 1/60th of final pay for each year or part year of Scheme membership with no automatic tax-free lump sum but with the opportunity to convert part of the annual pension into tax-free cash if the Scheme member so wished.

With effect from 1 April 2014 the rate at which your pension builds up changed to 1/49th of actual pay each year. If you have pre 1 April 2008 service, you will have a pension based on 3 different pensions build up rates.

The formula for calculating your pre 1 April 2014 annual pension is detailed below:

| |
|--|
| Annual Pension calculation |
| Pre 1 April 2008 |
| Total membership (years and days) X Final Salary / 80 |
| Post April 2008 |
| Total membership (years and days) X Final Salary / 60 |
| Lump Sum Retirement Grant calculation – (based on pre 1 April 2008 membership only) |
| Total membership x final salary ÷ 80 X 3 |

A breakdown of the build-up rates used in the calculation of your LGPS pension are shown below:

| Membership from | Membership to | Pensions Build-up rate | Automatic Lump Sum |
|-----------------|---------------|---|--------------------|
| LGPS start date | 31 March 2008 | 80 th of final salary | ✓ |
| 1 April 2008 | 31 March 2014 | 60 th of final salary | ✗ |
| 1 April 2014 | onwards | 49 th of pensionable pay (MAIN Section) | ✗ |
| 1 April 2014 | onwards | 98 th of pensionable pay (50/50 Section) | ✗ |

How is my pension calculated under the CARE Scheme?

We have looked at how your pre 2014 pension benefits are calculated on page 5 of this booklet. We will now look at how your pension is calculated under the CARE scheme from 1 April 2014.

From 1 April 2014 instead of benefits building up on a final salary basis they build up on a 'Career Average Re-valued Earnings' (CARE) basis.

This means the pension you earn is based on your actual pensionable pay received in each Scheme year (1 April to 31 March) instead of being based on the pay you receive at the point you leave or retire from the Scheme. Each year you will receive 1/49th of your actual pensionable pay and this will be added to your 'pension account' with an inflationary increase being added each year so that it keeps its value from the point the pension is earned to the point from which it becomes payable.

| |
|--|
| CARE Scheme formula |
| Annual Pensionable Pay ÷ 49 = Annual Pension |

We will now look at an example of an existing member who retires with pension membership under the 1997, 2008 and 2014 LGPS regulations.

A member joined the LGPS as a full-time employee on 1 April 1998 and leaves the LGPS on 31 March 2018. Their final salary at 31 March 2018 is £24,000. The member's pension benefits will be calculated in three parts as follows:

| | |
|--|------------------|
| Pre 1 April 2008 membership | |
| 10 (years) X £24,000 ÷ 80 | £3,000 |
| Membership from 1 April 2008 to 31 March 2014 | |
| 6 (years) X £24,000 ÷ 60 | £2,400 |
| Membership from 1 April 2014 to 31 March 2018 | |
| 4 (years) X £24,000 ÷ 49 | £1,959.18 |
| Total Annual Pension | £7,359.18 |

| | |
|--|--------------------------|
| Lump Sum Retirement Grant | |
| Pre 1 April 2008 membership | |
| 10 (years) X £24,000 ÷ 80 X 3 | £9,000 |
| Membership from 1 April 2008 to 31 March 2014 | |
| NIL | £0.00 |
| Membership from 1 April 2014 to 31 March 2018 | |
| NIL | £0.00 |
| Total Lump Sum Retirement Grant | £9,000 (tax-free) |

Based on this example the member would be entitled to an Annual Pension of **£7,359.18** and a Lump Sum Retirement Grant of **£9,000**.

If they claim their benefits before their Normal Pension Age (NPA) these benefits would be reduced to cover the cost of the pension being released early.

Retirement

When are my pension benefits normally paid?

You can retire and receive your LGPS benefits without penalty once you reach your Normal Pension Age (NPA) which will be the same as your State Pension Age (SPA) with a minimum of age 65. The Scheme also makes certain provision for the early payment of your LGPS benefits. Your NPA will track your SPA so any future changes in SPA may affect your LGPS NPA.

Can I retire before my NPA?

Yes. If you are 55 or over and choose to receive your pension before your NPA it will be reduced to reflect its early payment and the fact that it will be paid for longer. We also require **three months written notice** to release your pension if you are intending to claim your pension benefits. You can e-mail your notice to the pension team: info@berkshirepensions.org.uk

The amount of any reduction will be based on how many years earlier than your NPA you draw your benefits.

What if I want to have a gradual move into retirement?

Rather than continuing in your job until your NPA and drawing your pension from then, you could, from age 55 and with your employer's consent, reduce your hours or move to a less senior position and draw all or some of the pension benefits you have built up helping you ease into retirement. This is known as '**flexible**' retirement.

However, the benefits you draw may be subject to a reduction to take account of their early payment unless your employer agrees to waive the reduction in whole or in part. You can continue paying into the LGPS, building up further benefits in the Scheme. You must have your employer's consent to release your benefits early as well as their consent to a reduction in your hours of work or grade.

A note about claiming your pension

In order to release your pension benefits you must have ceased your contract of employment within the Local Government Pension Scheme or you. The only exception to this is flexible retirement.

What if I continue working beyond my Normal Pension Age (NPA)?

If you carry on working after your NPA you will continue to pay into the Scheme, building up further benefits. You can receive your pension when you retire, or when you reach the eve of your 75th birthday, or if you have your employer's consent for flexible retirement, whichever occurs first. If you draw your pension after your NPA it will be increased to reflect the fact that it will be paid for a shorter time.

Find your Normal Pension Age

Your Normal Pension Age will be linked to your State Pension Age.

You can use the Government's State Pension Age calculator to find out your State Pension Age, please visit: <https://www.gov.uk/check-state-pension>

Protected Normal Pension Age

Your pension built up before 1 April 2014 has a protected Normal Pension Age, which for almost all is age 65. If you retire and draw all of your pension at your protected Normal Pension Age, the pension built up in the scheme before 1 April 2014 will be paid in full.

If you choose to take your pension before your protected Normal Pension Age the pension you have built up in the scheme before 1 April 2014 will normally be reduced, as it's being paid earlier. If you take it later than your protected Normal Pension Age it will be increased because it's being paid later.

The benefits you build up in the Career Average Scheme from 1 April 2014 have a Normal Pension Age linked to your State Pension Age (but with a minimum age of 65).

Please note: if you are retiring you cannot take your benefits built up to 1 April 2014 separately from the benefits you build up from 1 April 2014. All your pension would have to be drawn at the same time (the only exception to this is partial flexible retirement which has to be agreed by your employer).

85-year rule protection and your pension

The 85-year rule protects some or all your benefits from the normal early payment reduction applied if you draw your pension early. To have any 85-year rule protection you must have been an active member of the LGPS on **30 September 2006**. The 85-year rule is satisfied if your age at the date when you draw your pension plus your Scheme membership (each in whole years) adds up to 85 years or more.

85-year rule and retirement before 60: The 85-year rule **will not** automatically be applied if you decide to voluntarily retire and draw your pension benefits before 60. However, your employer can exercise their discretion to 'switch it on'.

If they do, any 85-year rule protection you have will be applied to your benefits.

If your employer does not exercise this discretion, then your benefits will be reduced accordingly in line with the LGPS regulations.

85-year rule and retirement after 60: If you are voluntary retiring and drawing your pension benefits from age 60 onwards any 85-year rule protection you have will be applied to your benefits automatically.

Working out how you are affected by the rule of 85 can be quite complex, but here is some information to help you work out your general position when you draw your benefits. For a more detailed understanding of your own position you can contact the pension team directly on **01628 796 668**.

What happens if I am retired early due to ill health?

If you have been contributing to the LGPS for at least two years you will receive your pension immediately if you are retired on ill-health grounds.

Your employer must be satisfied that, because of ill health, you have become permanently incapable of doing your job. They will need to assess, with the help of a qualified occupational doctor, the likelihood of you obtaining gainful employment in the future.

If the doctor determines that you are unlikely to be capable of undertaking gainful employment before your Normal Pension Age (NPA), your pension will be fully increased to the value you would have become entitled to had you remained a member of the scheme until your NPA.

If the doctor determines that there is a reasonable prospect of you obtaining gainful employment before your NPA, your pension will be increased by 25% of the pension you could have built up to your NPA.

If the doctor determines that you are likely to obtain gainful employment within three years, your benefits built up to date will be released, without enhancement for up to a maximum of 3 years, and you will need to inform your employer if you obtain gainful employment again. This benefit will be reviewed by your employer after 18 months and in some cases may be uplifted to Tier 2 on review.

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

How much will my pension be?

For each year you are in the scheme, you will build up a pension based on your actual pensionable pay in that year. Each scheme year runs from 1 April to 31 March.

Each year you will build up a pension at a rate of 1/49th of the amount of actual pensionable pay you have received in that year. The amount of pension you build up is added to your Pension Account at the end of each scheme year.

The amount of pension in your Pension Account at the end of each scheme year will be adjusted in line with cost of living (currently Consumer Prices Index). If you are part-time, you will build up a pension based on 1/49th of your actual part-time pensionable pay for each scheme year.

Will I receive a lump sum?

The LGPS does not provide an automatic lump sum. However, at retirement, you can elect to convert part of your pension into tax-free cash at a rate of £12 to £1, within HM Revenue & Customs (HMRC) limits. For every £1 of annual pension you give up, you can buy £12 of tax-free cash.

Please note: if you have been a member of the LGPS at some time before 1 April 2008 you will be entitled to an automatic lump sum for that period of membership normally calculated at a rate of 3/80^{ths} of final pay for each year and part year of membership.

Protection for your family

What benefits will be paid if I pass away in service?

If you die in service as a member of the LGPS, subject to certain qualifying conditions, the benefits shown below are payable:

- A pension for your widow, widower, cohabiting partner or civil partner equal to 1/160th of your Assumed Pensionable Pay for each year or fraction of a year
- Pensions for your eligible children
- A lump sum death grant of three times your Assumed Pensionable Pay

What is Assumed Pensionable Pay (APP)?

This is the total of the last 3 months normal pensionable pay (prior to date of death) divided by three and multiplied by 12.

Death Benefits on leaving or retiring from the LGPS

The scheme also provides benefits for your dependants if you leave the LGPS before retirement and also at the point that you are claiming your pension.

Expression of wish form

The LGPS allows you to say to whom you would want any death grant to be paid by completing an expression of wish form. You can choose one person, a number of people or even an organisation such as a charity. You can choose your husband, wife or partner, your children, any other family member or a friend.

The Expression of Wish form is available from the pension team, or you can download one from www.berkshirepensions.org.uk

You can also update your Expression of Wish through 'my pension ONLINE'. The administering authority to the Pension Fund (RBWM) retains absolute discretion when deciding to whom any death grant is paid.

Leaving the LGPS

As you first became a member of the scheme before 1 April 2014 a number of options may be available to you depending on the length of your qualifying membership.

Deferred benefits

If you have at least two years of qualifying membership and you leave before you can take immediate payment of your pension, then the amount of pension you've built up is deferred. The amount of your deferred pension is increased every year in line with the cost of living - as currently measured by the Consumer Prices Index (CPI) - to ensure it keeps its value.

Your deferred benefit will be paid at your Normal Pension Age unless you choose to take it before then, when it would normally be reduced as you would be drawing it early, or you choose to take it later, when it would be increased because you would be drawing it later.

Remember - your Normal Pension Age is linked to your State Pension Age (with a minimum of age 65).

Transferring your benefits

If you leave the Scheme before your Normal Pension Age you may transfer the cash equivalent of your pension benefits into a new employer's scheme, if they are willing and able to accept it, into a personal or stakeholder pension scheme, or into a 'buyout' insurance policy.

You should always seek independent financial advice before deciding to transfer your benefits out of the LGPS.

Alternatively, if you return to employment with an employer participating in the LGPS, you may elect for your deferred pension rights to be added to those you are building up through your ongoing membership in the Scheme. This will happen automatically unless you elect within the 12 months of rejoining the Scheme to keep your deferred benefits separate.

An expression of interest to do this must be made **within 12 months** of re-joining the Scheme or such longer period as your employer allows.

Help with pension problems

Who can help me if I have a query or complaint?

If you are in any doubt about your benefit entitlements, or you have a problem or question about your LGPS membership or benefits, please contact the pension team first (contact details are given at the end of this guide).

We will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.

If you are still dissatisfied with any decision made in relation to the Scheme, you have the right to have your complaint independently reviewed under the internal dispute resolution procedure. As the Scheme is well regulated, there are also a number of other regulatory bodies that may be able to assist you. The various procedures and bodies are detailed below.

Internal dispute resolution procedure (IDRP)

The first stage of any application under the IDRP process must be dealt with by the adjudicator nominated by your employer (or former employer as the case may be). It is recommended that in practice you send your application to the pension fund who will ensure that your stage 1 application is forwarded to the correct person and dealt with in a timely manner. The IDRP form can be downloaded from our website – www.berkshirepensions.org.uk

You must make your initial application within six months of the date of the notification of the decision about which you are complaining. The adjudicator will consider your complaint and notify you of their decision. If you are dissatisfied with the adjudicator's decision, you may, within six months of the date of the decision, apply to the Scheme's administering authority to have it reconsidered.

MoneyHelper

MoneyHelper helps you to make your money and pension choices clearer. It is backed by the Government and is free to use:

MoneyHelper

Tel: 0800 138 7777

<https://www.moneyhelper.org.uk/en>

How can I trace my pension rights?

The Pensions Tracing Service holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their dependants), who have lost touch with previous employers. All occupational and personal pension schemes have to register if the pension scheme has current members contributing into their scheme or people expecting benefits from the scheme. If you need to use this tracing service please visit

Tel: 0800 731 0193

<https://www.gov.uk/find-pension-contact-details>

Write to:

**The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF
United Kingdom**

‘my pension ONLINE’

Don't forget you can now view your pension information online through our online service - ‘my pension ONLINE’.

‘my pension ONLINE’ enables you to securely update your personal details, perform benefit calculations and update your nominated beneficiaries from the comfort of your own home or workplace.

It's easy to sign up - just visit our website and click on the ‘my pension ONLINE’ logo.

More information

More detailed information about the scheme is available from the pension team at the following address: **Royal County of Berkshire Pension Fund, Zone C Town Hall, St Ives Road, Maidenhead, SL6 1RF**

Tel: 01628 796 668

E-mail: info@berkshirerpensions.org.uk

Web: www.berkshirerpensions.org.uk

