

# A guide for members

with both pre and post 1 April 2014 LGPS membership



Local Government  
Pension Scheme



THE ROYAL COUNTY OF  
**BERKSHIRE**  
PENSION FUND

# Introduction A guide for existing members of the LGPS

**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 booklet 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 scheme is it?**

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 that the more you earn, the higher your contribution rate will be.

The salary bands may increase annually in line with inflation.

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.

## 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.

To find out the contribution rate that you will pay please visit our website at [www.berkshirepensions.org.uk](http://www.berkshirepensions.org.uk)

Alternatively, please contact your employer's payroll team for further information.

## 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.

## Tax relief

As a member of the LGPS, your contributions will 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.

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.

# Contribution Flexibility

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 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.

As an existing member of the LGPS you will have been automatically placed into the MAIN section of the scheme from 1 April 2014. However you are 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.

## 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.

**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.**

## 50/50 Section Example

A member elects to reduce their monthly pension contribution under the 50/50 section of the LGPS. The table below demonstrates the effect this would have on their pension entitlement:

	Main Section	50/50 Section
Actual Pensionable Pay	£24,500	£24,500
Contribution Rate	6.5%	3.25%
Gross Contribution Amount for 1 year	£1,592.50	£796.25
Pension built up in 1 year	£500	£250
Lump Sum Life Assurance Cover	£73,500	£73,500

## Can I transfer pension benefits into the LGPS?

An expression of interest to transfer your pension rights into the LGPS must be made within 12 months of joining the Scheme, or such longer period as your employer allows.

## Can I increase my benefits?

You can purchase additional annual pension by paying Additional Pension Contributions (APCs).

APCs can be paid as regular contributions over a number of years (minimum 12 month contract) but you can also purchase additional annual pension through payment of a one-off lump sum.

You can also make payments to the Scheme's Additional Voluntary Contribution (AVC) arrangement with Prudential, or a free-standing AVC scheme of your own choice.

*All existing Additional Voluntary Contribution (AVC), Added Years, Additional Regular Contribution (ARC), Preston part-time buy-back, and Additional Survivor Benefit Contributions (ASBC) contracts which were in force immediately prior to 1 April 2014 continued from 1 April 2014 on the terms of the original contract.*

# 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 1/80<sup>th</sup> 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 1/60<sup>th</sup> 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 1/49<sup>th</sup> of actual pay each year. If you have pre 1 April 2008 service you will have a pension based on 3 different pension build up rates.

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

<b>Annual Pension Formula (pre 1 April 2014)</b>
<b>Membership to 31 March 2008</b>
Total membership x final salary ÷ 80
<b>Membership from 1 April 2008 to 31 March 2014</b>
Total membership x final salary ÷ 60

The formula for calculating your **pre 1 April 2008 Lump Sum** is detailed below:

<b>Lump Sum Formula (pre 1 April 2008)</b>
<b>Membership to 31 March 2008</b>
Total membership x final salary ÷ 80 X 3

Membership from	Membership to	Pensions Build Up Rate	Automatic Lump Sum
LGPS start date	31 March 2008	80 <sup>th</sup> of final salary	✓
1 April 2008	31 March 2014	60 <sup>th</sup> of final salary	✗
1 April 2014	onwards	49 <sup>th</sup> of pensionable pay (MAIN Section)	✗
1 April 2014	onwards	98 <sup>th</sup> of pensionable pay (5050 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 1/49<sup>th</sup> 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:

$$\text{Actual Pensionable Pay} \div 49 = \text{Annual Pension}$$

### 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 for additional hours worked in excess of your contractual hours.



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 will be calculated in three parts as follows:

ANNUAL PENSION
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
<b>TOTAL ANNUAL PENSION: £7,359.18</b>

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
Membership from 1 April 2014 to 31 March 2018
NIL
<b>TOTAL LUMP SUM: £9,000 (tax-free)</b>

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 benefits normally paid from the Scheme?

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), **but with a minimum age of 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 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 claiming your benefits before age 60.

The amount of any reduction will be based on how many years earlier than your Normal Pension Age 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 lower salary grade and draw all or some of the pension benefits you have built up to date 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

If you choose to retire from the age of 55 onwards you will only be allowed to draw your pension benefits from the point you cease your contract of employment. The only exception to this is flexible retirement.

## What if I carry on working after my 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 75<sup>th</sup> birthday, or if you have your employer's consent for flexible retirement, whichever occurs first. If you draw your pension beyond your NPA it will be increased to reflect the fact that it will be paid for a shorter time.

## What if my employer retires me on grounds of redundancy?

If you are aged 55 or over and have been contributing to the LGPS for at least two years and you are made redundant or retired on the grounds of business efficiency you will be entitled to the immediate unreduced payment of your LGPS pension built up to date. If you are under the age of 55 your benefits will be deferred.

## Find your Normal Pension Age

Your Normal Pension Age will be linked to your State Pension Age (with a minimum of 65).

You can use the Government's State Pension Age calculator to find out your State Pension Age, please visit:

[www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)

# Retirement continued



## What happens if I have to retire early due to ill-health?

If you have at least two years qualifying membership of the Scheme, you can approach your employer to consider ill-health retirement. 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 your 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 to 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 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 can 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.

## Will I receive a lump sum?

If you have been a member of the LGPS at some time before 1 April 2008 you will be entitled to a lump sum in respect of that period of membership normally calculated at a rate of  $3/80^{\text{ths}}$  of your final salary for each year and part year of membership. 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. So, for every £1 of pension you give up, you can buy £12 of tax-free cash.

## 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 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.

## Rule of 85 Protection

If you have rule of 85 protection this will continue to apply from 1 April 2014. The only occasion where this protection does not automatically apply is if you choose to voluntarily draw your pension on or after age 55 and before age 60. For more information on the 85-year rule please contact us directly.

# Protection for your Family



## What benefits will be paid if I die?

If you die whilst an active 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 1/160<sup>th</sup> of your Assumed Pensionable Pay for each year and part-year of membership
- ◆ Pensions for your eligible children
- ◆ A lump sum death grant of three times your assumed pensionable pay

### Assumed Pensionable Pay

This is the total of the last 3 months normal pensionable pay (prior to date of death) ÷  
3 X 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. Please refer to our **‘Protection for your family’** guide for more information. Alternatively you can contact us on 0845 602 7237.

## Expression of wish form

The LGPS allows you to say to whom you would like 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.berkshirerpensions.org.uk](http://www.berkshirerpensions.org.uk)

You can also update your Expression of Wish through ‘my pension ONLINE’.

The administering authority to the Pension Fund (RBWM), however, retains absolute discretion when deciding to whom any death grant is paid.

# Leaving the Scheme

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 qualifying membership, and you leave before you can take immediate payment of your pension, the amount of pension you've built up will be 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 for benefits built up from 1 April 2014 is linked to your State Pension Age (with a minimum age of 65).**

Benefits paid early may be subject to a reduction to take account of their early payment and the fact that your pension will be paid for longer.

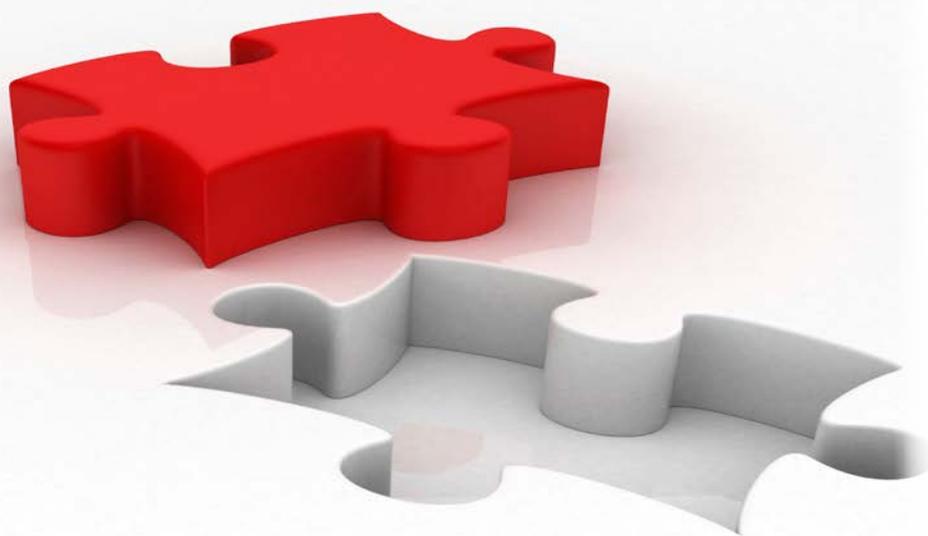
## Transferring your benefits

If you leave the Scheme before your Normal Pension Age you may transfer the cash equivalent value 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.

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.



## 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.

### The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with any pension query they may have or any difficulty that they cannot resolve with their Scheme.

**11 Belgrave Road  
London  
SW1V 1RB  
Tel: 0300 123 1047**

### The Pension Tracing Service

If you need to use the pension tracing service please write to:

**The Pension Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU  
Tel: 0800 731 0193**

## 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.

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.

### Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved after the intervention of TPAS, an application can be made, within three years of the event, to the Pensions Ombudsman for their adjudication. The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme or matters of fact or law. The Ombudsman's decision is final and binding. Matters where legal proceedings have already started cannot be investigated.

**10 South Colonnade  
Canary Wharf  
London  
E14 4PU**

**Tel: 0800 917 4487**

# Contact Us

More detailed information about the Scheme is available from the Pension Team:  
**Royal County of Berkshire Pension Fund, Minster Court, 22-30 York Road**  
Maidenhead, Berkshire, SL6 1SF

Tel: 0845 602 7237 Fax: 01628 796 700 E-mail: [info@berkshirepensions.org.uk](mailto:info@berkshirepensions.org.uk)  
[www.berkshirepensions.org.uk](http://www.berkshirepensions.org.uk)



Don't forget you can now view your pension information 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 at [www.berkshirepensions.org.uk](http://www.berkshirepensions.org.uk) and click on the 'my pension ONLINE' logo.

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