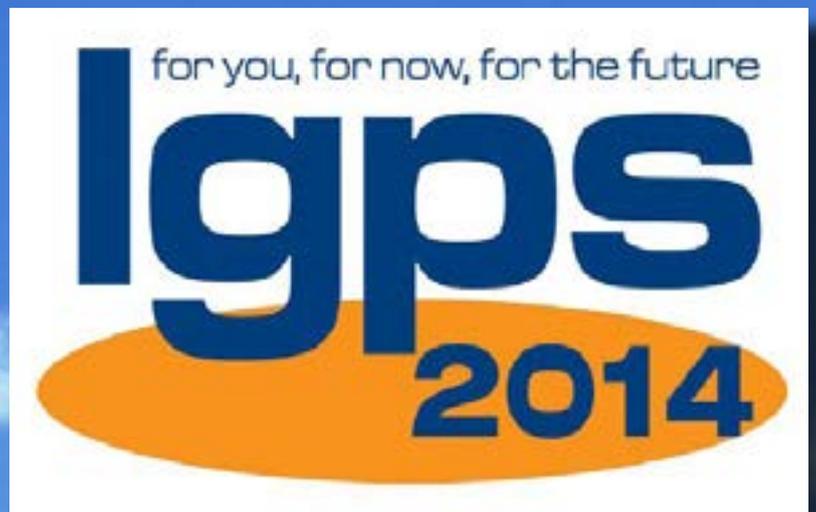


LGPS 2014 protections guide

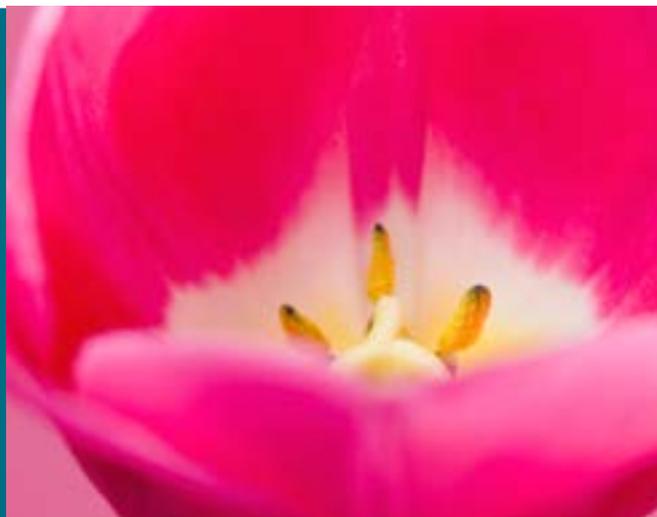


Local Government
Pension Scheme



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

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.



The LGPS changed from a Final Salary Pension Scheme to a Career Average Revalued Earnings (CARE) Scheme from 1 April 2014.

As a result of these changes there are a series of protections in place for existing scheme members and throughout this booklet we will look at these in more detail.

Protection for all

From 1 April 2014 if you are paying into the LGPS you will be a member of the new career average pension scheme. Any pension you have built up in the LGPS before this date is fully protected. This means that your pension, based on your membership built up to 31 March 2014 will continue to be based on your final pay when you leave your employment or retire in the future.

Your Normal Pension Age is also protected. This means that the benefits you build up before 1 April 2014 retain their Normal Pension Age under final salary scheme rules, which for almost all members is age 65.



Membership and Final Pay Protection



Membership

All membership you build up in the Scheme before 1 April 2014 will be 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 new career average scheme.

Final Pay

Even though the scheme is changing, protection is in place to ensure you can still use your final pay as defined under the final salary scheme regulations when you leave your employment or retire in the future.

This means that any future pay increases will be included in the final pay figure used to work out your benefits built up to 31 March 2014. The definition of final pay for benefits built up before 1 April 2014 remains the same as it was before the Scheme changed. Your final pay is normally the pay (full-time equivalent if part-time) in respect of your final year of scheme membership on which you paid contributions, or one of the previous 2 years if this is higher. This remains so from 1 April 2014.

Further protections on final pay

In addition if your pay is reduced by your employer, or increases to your pay are restricted in your last 10 years of continuous employment with your employer, you

continue to have the option to have all your pre 1 April 2014 membership based on the average of any 3 consecutive years' pay in the last 13 years (ending on a 31 March). If you have a certificate of protection which was issued by your employer for a reduction or restriction in pay beyond your control before 1 April 2008 and you leave the LGPS within 10 years of the reduction or restriction, then this protection continues to apply after 1 April 2014 for benefits built up in the final salary scheme.

Important: If you have a break in membership from a public service pension scheme 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. A public service pension scheme includes a pension scheme covering civil servants, the judiciary, the armed forces, any scheme in England, Wales or Scotland covering local government workers, or teachers, health service workers, fire and rescue workers or members of the police forces; or membership of a new public body pension scheme.

Rate of Pensions Build Up

Up until the 31 March 2008 an LGPS pension built up at the rate of 1/80th of final pay for each 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 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.

From 1 April 2014 the rate at which an LGPS pension will build up will be equal to 1/49th of the actual pensionable pay received in each Scheme year.



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 without penalty.

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 amount of any reduction or increase will be based on how many years earlier or later than your protected Normal Pension Age you draw the pension you have built up in the scheme to 31 March 2014.

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).

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 (except in the case of Flexible Retirement).

Find your Normal Pension Age

Your Normal Pension Age from 1 April 2014 will be linked to your State Pension Age (with a minimum of age 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

The Underpin

Protections are in place if you are nearing retirement to ensure that you will get a pension at least equal to that which you would have received in the scheme had it not changed on 1 April 2014. This protection is known as the '**underpin**'.

The '**underpin**' applies to you if you were:

- **paying into the Scheme on 31 March 2012 and,**
- **within 10 years of your Normal Pension Age on 1 April 2012,**
- **you haven't had a disqualifying break in service of more than 5 years,**
- **you've not drawn any benefits in the LGPS before Normal Pension Age and**
- **you leave with an immediate entitlement to benefits.**

If you are covered by the underpin a calculation will be performed at the date you cease to contribute to the Scheme, or at your Normal Pension Age if earlier, to check that the pension you have built up (or, if you have been in the 50/50 section at any time, the pension you would have built up had you always been in the main section of the scheme) is at least equal to that which you would have received had the scheme not changed on 1 April 2014. If it isn't, the difference will be added to your pension. If you are covered by the underpin, we will carry out the underpin check when you leave the scheme.

Rule of 85

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.

The rule of 85 protects some or all of your benefits from the normal early payment reduction. To have rule of 85 protection you must have been a member of the LGPS on 30 September 2006. The rule of 85 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.

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 0845 602 7237.

- If you would not satisfy the 85 year rule by the time you are 65, then all your benefits are reduced if you choose to draw your pension before your Normal Pension Age. The reduction will be based on how many years before your Normal Pension Age (protected Normal Pension Age for pension built up to 31 March 2014 and new Normal Pension Age linked to State Pension Age for pension built up from 1 April 2014) you draw your benefits.
- If you will be age 60 or over by 31 March 2016 and choose to draw your pension before your Normal Pension Age, then, provided you satisfy the 85 year rule when you start to draw your pension, the benefits you build up to 31 March 2016 will not be reduced.

- If you will be under age 60 by 31 March 2016 and choose to draw your pension before your protected Normal Pension Age, then, provided you satisfy the 85 year rule when you start to draw your pension, the benefits you've built up to 31 March 2008 will not be reduced. Also, if you will be aged 60 between 1 April 2016 and 31 March 2020 and meet the 85 year rule by 31 March 2020, some or all of the benefits you build up between 1 April 2008 and 31 March 2020 will not have a full reduction.

Rule of 85 and drawing your pension on or after age 55 and before age 60

From 1 April 2014 there is a new option in the LGPS where you can choose to voluntarily draw your pension on ceasing your employment from age 55 and before age 60 without the need for your employer's permission. The rule of 85 will not automatically be applied if you decide to draw your benefits under this new option but your employer can exercise their discretion to apply it. If they do, and you meet the rule of 85 at the date of drawing your benefits, the rules set out in the second and third bullet points above will apply.

If your employer does not exercise the discretion to apply the rule of 85, the protections referred to in the second and third bullet points above do not apply in full.

From 1 April 2014 you will be able to ask your employer what their policy is on exercising the discretion to apply the rule of 85 to benefits drawn before age 60.



Protection if you leave and rejoin the LGPS

If you leave the scheme before being able to immediately draw your pension and you have sufficient membership to have built up a pension entitlement (see ‘vesting period’ information on page 7), you will be awarded deferred benefits which remain in the scheme (unless you elect to transfer them to another pension scheme).

If you automatically moved to the career average scheme on 1 April 2014, and subsequently cease membership with entitlement to a deferred benefit and then rejoin the scheme at a later date, provided you do not have a break in membership of more than 5 years from any public service pension scheme, your final salary benefits will be linked to your new pension account and will be calculated on your final salary in your new employment when you leave.

You can elect to keep your benefits separate but you would need to notify us of this within 12 months of rejoining the scheme.

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.

If you leave your employment within Local Government and are unsure as to how these protections will apply to you please contact the pension team on 0845 602 7237.

Further protections for existing members

Existing Additional Pension Contribution Contracts

All existing Additional Voluntary Contribution (AVC), shared cost Additional Voluntary Contribution (SCAVC), Added Years, Additional Regular Contribution (ARC), Preston part-time buy-back, and Additional Survivor Benefit Contributions (ASBC) contracts in force immediately prior to 1 April 2014 will continue from 1 April 2014 on the terms of the contract when they were originally taken out.

Vesting Period

The period of time you have to pay into the scheme in order to be entitled to a pension has increased from 3 months to 2 years for new joiners from 1 April 2014.

If you were in the scheme prior to 1 April 2014 and you then leave or opt-out of the scheme with less than 2 years qualifying membership you will have the option of taking a refund of contributions from the scheme (unless you are disqualified from receiving a refund because, for example, you already have, in an LGPS Fund in England and Wales, a deferred pension or a pension in payment) or you can choose to have deferred benefits. From 1 April 2014 you must have 2 years qualifying membership of the scheme to be awarded pension benefits for reasons of redundancy/efficiency or ill-health.

Find out more online...

Further information regarding the Local Government Pension Scheme can be found on our website where you will also find more factsheets, forms and guides.

Visit www.berkshirepensions.org.uk



Contact Us

More detailed information about the Scheme is available from the Pension Team:
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Maidenhead, Berkshire, SL6 1SF

Tel: 0845 602 7237 Fax: 01628 796 700 E-mail: info@berkshirepensions.org.uk
www.berkshirepensions.org.uk



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 at www.berkshirepensions.org.uk and click on the '**my pension ONLINE**' logo.

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