

**Questions & Answers**  
**The key changes if you were an existing member who moved over to  
the new scheme on 1 April 2008**

**What does the new scheme cost me?**

**V/O:**

In the new scheme, instead of most people paying a standard contribution rate of 6%, there are different contribution rates for different pay bands.

The contribution rates are between 5.5 and 7.5% of your pensionable pay.

The rate you pay depends on which pay band you fall into.

If you work part-time, the rate you pay will be based on the whole time pay rate for your job, although you will only pay contributions on the pay you actually earn.

Here are the 2009 pay bands....

- If your whole time pay rate is up to £12,600, then your contribution rate will be 5.5%.
- If it's between £12,601 and £14,700, your rate will be 5.8%
- between £14,701 and £18,900 you will pay 5.9%
- and between £18,901 and £31,500, 6.5%
- for a whole time pay rate of between £31,501 and £42,000 contributions will be 6.8%
- and if it's between £42,001 and £78,700 you will contribute 7.2%
- For more than £78,700 your contribution rate will be 7.5%

Remember, pay band ranges will increase each year in line with the cost of living...

If you were paying a protected rate of 5% immediately before April 2008, the rate you pay is being increased on a phased basis, bringing it into line with all other scheme members by 1 April 2011.

**How will my benefits be calculated?**

**V/O:**

The new LGPS is still a final salary scheme. Your benefits are normally based on your final year's pay and the number of years you have been a member of the scheme.

How your benefits are worked out when you retire, changed from 1 April 2008.

For each year you have built up in the scheme to 31 March 2008, you will receive a pension of **1/80<sup>th</sup>** of your final year's pay, plus an automatic tax-free lump sum of 3 times your pension.

For each year you build up from April 2008, your pension will be at the increased rate of **1/60<sup>th</sup>** of your final year's pay. There will be no **automatic** lump sum, but you do have the **option** to get a tax-free lump sum in exchange for some of your pension.

Let's assume Liz will retire at 65..... she has 8 years membership to 31 March 2008, and 24 years membership after then ..... Her final year's pensionable pay on retirement is £20,000.

Benefits based on her 8 years membership up to 31 March 2008 would be .....

8 80<sup>ths</sup> of her final year's pay of £20,000, to give her an annual pension of £2,000.

She would also receive an **automatic** tax-free lump sum of three times her pension, giving her a lump sum of £6,000.

Now, let's calculate Liz's benefits on her 24 years membership from 1 April 2008.

24 60<sup>ths</sup> of £20,000 gives her an annual pension of £8,000 .....

There's no automatic lump sum for her membership from 1 April 2008.

This gives her a **total annual pension** of £10,000. That is, £2,000 for the pre-April 2008 membership, plus £8,000 for the post-April 2008 membership. AND she'd receive a tax-free lump sum of £6,000.

But remember, it's possible to exchange some pension for extra tax-free cash.

Up to 25% of the overall value of the pension benefits can be taken as a lump sum, with £12 lump sum for each £1 of annual pension given up.

So, to summarise, any pension built up before April 2008 is still calculated at the 1/80<sup>th</sup> rate with a lump sum of 3 times pension. Only pension built up from 1 April 2008 is calculated at the better 1/60<sup>th</sup> rate and there is an **option** to take extra lump sum in exchange for some pension.

### **Has the new scheme changed when I can retire?**

#### **V/O:**

The only change to when you can retire is to the earliest age benefits can be paid if you're made redundant, are retired on efficiency grounds, take flexible retirement or early retirement with your employer's consent. In these circumstances, the earliest age benefits can be paid increased from 50 to 55 from 1 April 2008. This change won't apply until 1 April 2010 if you were a member of the scheme on 31 March 2008.

#### **PRESENTER:**

I hope we've answered some of your questions on the key changes to the LGPS.

If you have not already been through the Scheme Overview Section, why not take the opportunity to do so now?

If you would like to know more you can contact your Pension Fund or visit the LGPS website at [www.lgps.org.uk](http://www.lgps.org.uk)