

For an explanation of the terms underlined see the LGPS 2014- Glossary

These documents describe proposals and do not override any existing legislation. Any examples given are for illustration only, not as an estimate of the benefits you may receive

LGPS 2014 - PROTECTION

The new LGPS is proposed to start on 1st April 2014. All pensions in payment or built up before April 2014 will be protected. If you are currently in receipt of a pension or have left with a deferred pension these changes do not affect you. If you are currently a contributing scheme member your pre-April 2014 pension will still be based on your final salary at retirement and the current Normal Pension Age.

CALCULATION OF PROTECTED BENEFITS

When you take your pension, if you have service in the LGPS 1997 and the LGPS 2008 as well as the LGPS 2014, these will be calculated separately. Your LGPS 1997 and LGPS 2008 pension will be calculated on the basis of your final pensionable pay at the point of taking your pension (or leaving service) and added to your CARE pension from the 2014 scheme service. The automatic lump sum from your 1997 Scheme service would be added to any lump sum resulting from trading pension.

EXAMPLE 1

Aisha retires at her Normal Pension Age in 2017 with a total of 16 years' service. The first 7 years were in the 1997 Scheme, the second 6 years in the 2008 Scheme and the last 3 years in the new LGPS 2014. Her final pensionable pay figure is £15,320. Her CARE LGPS 2014 pension is £933.67 so her total benefits are:

LGPS 1997 benefits for 7 years service:	Pension [7/80 x15320]	£1,340.50
	Automatic Lump Sum [3 x7/80 x15320]	£4,021.50
LGPS 2008 benefits for 6 years service:	Pension [6/60 x15320]	£1,532.00
LGPS 2014 benefits for 3 years service:	CARE Pension	£933.67

So Aisha's total LGPS pension benefit (adding together the three pension amounts in the table above) is £3,806.17 plus an automatic lump sum of £4,021.50.

Aisha could increase the amount of benefit she takes as a lump sum by trading pension to a maximum of £17,748.40 which would leave her with an annual pension of £2,662.26 (assuming she has no other pension savings).

LGPS 2014 – Protection v 5.1 – 31st May 2012 © The LGPS 2014 Project



RULE OF 85 TRANSITIONAL PROTECTIONS

If you are an existing member covered by transitional protection following the removal of the Rule of 85, retiring before your Normal Pension Age will entail a slightly more complicated calculation of benefits as it did when the LGPS 2008 was introduced.

The 85 year rule is satisfied if your age at the date you draw your benefits and your scheme membership (each in whole years) add up to 85 or more.

If you are part-time, your membership counts towards the rule of 85 at its full calendar length. Not all membership may count towards working out whether you meet the 85 year rule. Working out how you are affected by the 85 year rule can be quite complex, but this should help you work out your general position.

- 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 retire before 65. The reduction will be based on how many years before 65 you draw your benefits.
- If you will be age 60 or over by 31 March 2016 and choose to retire before age 65, 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 retire before age 65, 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.

EXAMPLE 2

Maria reaches age 62 on 31st March 2015 at which time she will have 23 years' service. As she is over 60 and meets the Rule of 85 before 1st April 2016, her whole pension is protected and will not be reduced for early payment. Her pension will be calculated in three parts. Firstly in respect of LGPS 1997, secondly in respect of the LGPS 2008 and thirdly in respect of the new scheme.

LGPS 1997 benefits for 16 years service:	Pension [16/80 x18000]	£3,600
	Automatic Lump Sum [3 x16/80 x18000]	£10,800
LGPS 2008 benefits for 6 years service:	Pension [6/60 x18000]	£1,800
LGPS 2014 benefits for 1 years service	CARE Pension	£367

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Maria's total annual pension is £5,767 with an automatic lump sum of £10,800 (which can be increased by trading pension).

EXAMPLE 3

Eric will reach age 60 on 31st March 2018 when he will have 30 years' service. His pension built up before 1st April 2008 will be paid unreduced, whereas his pension built up after this date will be partially reduced. His salary on retirement is £30,000.

The full level of reduction that would be applied to the post 31st March 2008 pension is 25%. However as Eric's retirement date falls halfway into the period when protection is tapered off, these reduction factors only apply to one half of his benefits built up after 31st March 2008. So this part of his pension is reduced by 12.5%.

His pension will be calculated in three parts.

LGPS 1997 benefits for 20 years service:	Pension [20/80 x 30000]	£7,500
	Automatic Lump Sum [3 x20/80 x x30000]	£22,500
LGPS 2008 benefits for 6 years service:	Pension [6/60 x 30000] reduced by 12.5%	£2,625
LGPS 2014 benefits for 4 years service:	CARE Pension reduced by 12.5%	£2,143

Eric's total pension is £12,268 with a lump sum of £22,500 (which can be increased by trading pension).

THE UNDERPIN

Specific protection - the 'underpin' - is proposed to apply to members who were within 10 years of age 65 in April 2012. Some of these members would see their Normal Pension Age increase due to movements in the State Pension Age. So for these members a calculation will be done on retirement at 65 to ensure they will get a pension at least equal to that which they would have received in the LGPS 2008

