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FAQ **Factsheet**

What is the difference between Final salary and Care?

In the current scheme you build up service which is calculated when you eventually leave based typically on your last years salary (this favours members who have salary increases throughout their working lives).

Under a CARE scheme you will build up a pension each year of employment based on your salary in that year and this is then increased in line with inflation (currently CPI), this will be more generous for those who have little or no salary progression as the growth rate is faster.

Will I pay more in the new scheme?

If you are on a salary of greater than £43,000 and work full time you are going to be paying a higher rate of contributions, however all scheme members earning less than £43,000 will be paying the same or in the case of many part time employees a lower rate than currently.

How will my benefits be calculated?

If you have service built up before 31/3/2008 that service will be calculated as each year (or part) 1/80th of your final years salary plus any service between 1/4/2008 and 31/3/2014 will be calculated on 1/60th of your final salary plus each year after 1/4/2014 will build up an annual pension figure based on your actual salary at a rate of 1/49th and then attract pension increase each year.

How will the 50/50 or low cost scheme work?

If you elect to join the 50/50 scheme you will pay in half the normal pension contributions but will only build up half the pension benefits for the period you are in the low cost part of the scheme:- you will be brought back into the full scheme every three years under the terms of auto enrolment.

If I join the 50/50 or low cost scheme what will my employer pay?

While you will pay half your normal pension contributions your employer will continue to pay the full employer rate.

When will I be able to retire?

The scheme retirement age is to be linked to the state pension age which is due to increase to:

- Age 66 from October 2020
- Age 67 between 2026 and 2028 (Table attached)
- Age 68 expected to be from 2030

However the LGPS is designed to be flexible and there are the following options available to scheme members and their employers

Ill Health: Subject to medical decision payable immediately without reductions and with potential for enhancement (3 tiers remain)

Redundancy or grounds of efficiency: Payable without reduction from age 55

Employers consent: Any point from age 55 onwards (reductions could apply if employer will no consent to paying the cost of early release)

Member driven early retirement: Member will be able to claim their pension without their employers consent from age 55 however significant reductions would apply. (Details of the reductions not yet available)

Is the new scheme good or bad news for me?

This will depend on many elements:

- If you think your salary will go up faster than inflation the old scheme may be better for you
- If you think your salary will struggle to keep up with inflation the new scheme will be better for you
- If you hope to retire no later than age 65 the old scheme could be more generous than the new scheme
- If you are happy to work up to or even beyond the state retirement age the new scheme should be more generous for you
- If you are part time the new scheme is likely to be costing you less than the old scheme
- If you are earning greater than £43,000 you will be paying in higher pension contributions

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The pension scheme seems to be changing all the time- what is to say it will change again in a few years time?

The Government have given a guarantee that the overall structure of the public sector pension scheme will not be altered again for the net 25 years- however this does not mean there would be no change as if the overall local Government Pension scheme is struggling in the future changes to employee contributions and or changes to the scheme design are built into the new scheme. Equally if the scheme is suddenly more healthy benefits could improve or contributions be reduced.

Is my lump sum going to be taxed?

The Government have not changed the rules on a tax free lump sum and members can continue to increase any existing lump sum at a ratio of £12 for each £1 of annual pension at the time of retirement up to current levels.

What difference will the new flat rate pension make to my pension?

My understanding is that the contracted out National insurance will cease from 1 April 2016 and any one who has paid in the full number of years (I believe 30) including 10 years in the new arrangement will qualify for the new flat rate pension, so many members who have spent their lives in Local Government and are less than 10 years from state pension age may receive only a proportion of the flat rate pension

How will the reduced Annual Allowance affect me?

It will require a smaller increase in your salary to 'trigger' a tax charge under annual allowance, however it is expected that the majority of employees within the LGPS will still be well within the allowed limits if you have reason to suspect you may be close please request a check by speaking to technical.

How will the reduced Lifetime allowance affect me?

If you have previously been written to with details of your pension as you are likely to be close to or over the lifetime allowance the reduction will increase the likelihood of you exceeding this allowance at your retirement.