

# Pensions Newsletter

December 2008

## New Scheme Goes Live In April 2009

A new version of the Local Government Pension Scheme will come into operation on **1st April, 2009**.

The change represents the biggest makeover of the scheme in the last 30 years.

Please read the rest of this Newsletter carefully as the changes will affect your **take home pay** and **scheme entitlement**.

The terms of the new scheme have been agreed following dis-

cussions between the Scottish Government, COSLA and the Trade Unions.

Just like the current Scheme, the new Scheme will also be a final salary pension arrangement and will continue to provide benefits that are a fixed proportion of salary.

This is a very important feature in view of the current instability in financial markets.

The Scheme will also

continue to be underwritten by the Government and supported by contributions from employers.

In summary, the Local Government Pension Scheme remains one of the country's leading pension schemes and should continue to be regarded as a key part of your remuneration package.

## Take Home Pay To Change!

The new pension scheme rules require you to pay a rate of contribution that is related to your level of pay.

The minimum contribution rate is 5.5% of

pay, so if your current rate is 5%, then your contribution will definitely be increasing (and your take home pay will be reduced).

If you currently pay at the 6% rate, your con-

tribution will increase (and your take home pay reduce) if your full time equivalent annual rate of pay is more than £24,081.

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### Special points of interest:

- **Retention of Final Salary Status**
- **Introduction of tiered contributions**
- **New two tier system of ill health retiral**
- **Bigger death benefits**
- **Pensions for partners**

# Contributions — What You Will Pay

Your annual salary at 31st March, 2009 will be used to determine your rate of contribution during the 2009/10 pay year. Use the table below to estimate your contribution rate for next year.

Remember if you are part-time, it is your equivalent **full-time pay** that is used to decide what rate of contribution you pay.

## FTE = Full-time Equivalent

FTE Pay From	FTE Pay To	Contribution Rate (%)	FTE Pay From	FTE Pay To	Contribution Rate (%)
£0	£18,529	5.5	£47,849	£49,090	8.1
£18,530	£19,687	5.6	£49,091	£50,399	8.2
£19,688	£20,999	5.7	£50,400	£51,780	8.3
£21,000	£22,264	5.8	£51,781	£53,239	8.4
£22,265	£23,137	5.9	£53,240	£54,782	8.5
£23,138	£24,081	6.0	£54,783	£56,417	8.6
£24,082	£25,106	6.1	£56,418	£58,153	8.7
£25,107	£26,222	6.2	£58,154	£59,999	8.8
£26,223	£27,441	6.3	£60,000	£61,967	8.9
£27,442	£28,780	6.4	£61,968	£64,067	9.0
£28,781	£30,169	6.5	£64,068	£66,315	9.1
£30,170	£31,228	6.6	£66,316	£68,727	9.2
£31,229	£32,363	6.7	£68,728	£71,320	9.3
£32,364	£33,584	6.8	£71,321	£74,117	9.4
£33,585	£34,901	6.9	£74,118	£77,142	9.5
£34,902	£36,326	7.0	£77,143	£80,425	9.6
£36,327	£37,872	7.1	£80,426	£83,999	9.7
£37,873	£39,555	7.2	£84,000	£87,906	9.8
£39,556	£40,645	7.3	£87,907	£92,195	9.9
£40,646	£41,538	7.4	£92,196	£96,923	10.0
£41,539	£42,471	7.5	£96,924	£102,162	10.1
£42,472	£43,448	7.6	£102,163	£107,999	10.2
£43,449	£44,470	7.7	£108,000	£114,545	10.3
£44,471	£45,542	7.8	£114,546	£121,935	10.4
£45,543	£46,666	7.9	£121,936	£130,344	10.5
£46,667	£47,848	8.0	£130,345	£140,000	10.6

# Benefits — Think 60ths not 80ths

If you are a member of the scheme on 31st March, 2009, you will automatically be transferred to the new scheme on 1st April, 2009.

Membership of the new scheme will provide you with an annual pension at the rate of 1/60th of annual pay per year of service. There will be no automatic lump sum.

This contrasts with the current arrangements which provide a

pension of 1/80th of annual pay per year of service and a fixed lump sum of 3 times the annual pension.

The changes mean that your retirement benefits will be calculated using a mixture of 80ths and 60ths — “80ths” up to 31/3/2009 and 60ths from 1/4/2009.

In broad terms, the change from 80ths to 60ths will mean a slight increase in your

retirement benefits.

Although the new scheme does not provide an automatic lump sum, you will have the opportunity to take a tax free lump sum of up to 25% of the capital value of your total benefits.

In other words, you will be still be able to take the lump sum you could have taken under the old scheme rules.

## The Calculation— 60ths and 80ths

Ben retires on 31/3/2019 at age 65 after 20 years service. He has 10 years service up to 31/3/2009 and 10 years after 31/3/2009. His final pay is £20,000. His retirement benefit will be as follows:

Annual Pension	$10/80 \times £20,000$	=	£2,500	
	+ $10/60 \times £20,000$	=	<u>£3,333</u>	
Total Pension		=	<u>£5,833</u>	<u>£4,150</u>
				or
Total Lump Sum	$10/80 \times £20,000 \times 3$	=	<u>£7,500</u>	<u>£27,670</u>

Ben could take the pension of £5,833 and lump sum of £7,500 shown above. However, he could choose to take a smaller pension in return for an increased lump sum. The lump sum cannot be more than 25% of the capital value of Ben’s rights. As the capital value of the rights is £110,700, the maximum lump sum is £27,670 in which case the pension is reduced to £4,150.

## New Death Benefits

The lump sum death grant that is payable when a member dies in service is being increased from 2 times to 3 times annual pay. However, the short term survivor’s pension – paid to a surviving spouse, civil partner or child of the deceased and usually equivalent to 3 months salary— has been withdrawn from the scheme.

The long term survivor’s pension that is currently payable to a surviving spouse, civil partner or child is being extended to include the unmarried partner of a scheme member. This is conditional on the parties having been together for at least 2 years; each party being free to marry and the scheme member having nominated the partner. Unmarried members will be asked to make their nominations in due course.

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*You can top up your benefits by paying Additional Voluntary Contributions through our AVC arrangement with Standard Life, or by buying additional years of service. Please note that the buying added years option is being replaced on 1st April, 2009 with an option that will allow you to buy additional annual pension in blocks of £250.*

**Are you in a registered Civil Partnership? Do you have LGPS service prior to 6th April, 1988?**

**If the answer to each question is "Yes", then you can elect to pay extra contributions or a lump sum so that your pre-1988 service counts towards a surviving partner's pension.**

**The cost is approximately 1.9% of pay for each year being bought back.**

**E-mail [pensions@falkirk.gov.uk](mailto:pensions@falkirk.gov.uk) for more information.**

## New Early Retiral Age

Under the new scheme rules, the minimum retirement age is being increased from 50 to 55. However, this change will not apply to existing members until 1st April, 2010.

A further protection means that if you were an LGPS member on 5th April, 2006, you will continue to be eligible for redundancy or efficiency retirement from age 50.

## New Rules for Ill Health Retiral

If you are unable to do your job because of permanent ill health, you will be entitled to benefits under the rules of the pension scheme. In most cases, you will receive some additional membership ("ill health enhancement") to compensate you for having to retire early.

To qualify for ill health retirement under the terms of the new scheme, you will have to be deemed permanently unfit for your actual job and also be deemed to have a reduced capability to undertake any

other gainful employment.

The decisions as to whether you are permanently unfit and have a reduced employment capacity will be made by an independent medical adviser appointed by your employer.

If, having satisfied the initial requirements, it is considered that you have no reasonable prospect of undertaking gainful employment, then you will get the immediate payment of your scheme benefits based on the service you

would have had at age 65.

If you are permanently unfit for your post *and* have a reduced capacity for employment *but* you are likely to be capable of working again, then you will receive immediate payment of scheme benefits based on your actual service plus 25% of the service between retirement and age 65.

