
How has my pension changed since April 2014?

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2014 Changes: At a glance

- A career average (CARE) defined benefit scheme
 - Increased accrual rate of 1/49th
 - Normal Pension Age (NPA) aligned with State Pension Age (SPA) at point of payment
 - Additional short term flexibility / option to pay ½ contributions for ½ benefits
 - New definition of pensionable pay & contribution bands
 - Retirement from age 55 without employer approval – pension reductions apply
 - Final Salary protection for the benefits you have built prior to 1 April 2014
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Normal Retirement Age (NRA) aligned to State Pension Age (SPA) at the point of payment

- Removal of Scheme NRA (currently age 65, some protections may apply)
 - Normal Pension Age = is now your own SPA (minimum age 65) for benefits built up from 1 April 2014
 - SPA is assessed at the point of payment of your benefits
 - Under current legislation, SPA is planned to increase to: -
 - Age 66 born between April 1954 and April 1961
 - Age 67 born between April 1961 and April 1978
 - Age 68 born after April 1978
 - Regular reviews will take place in line with rising longevity
 - Pre-2014 benefits protected
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Pensionable pay and working out how much you pay

- Change to definition of pensionable pay to include:
 - Basic pay, plus
 - Non-contractual over-time
 - Additional hours for part-time staff
 - Impact on part-time members
 - Band assessed with reference to actual pensionable pay
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Pensionable pay and working out how much you pay

LGPS 2008 Regulations

LGPS 2014 CARE scheme

Band	Whole-time equivalent Pensionable Pay		Gross Contributions	Contribution after tax	Actual Pensionable Pay		Gross Contributions	Contribution after tax
	1	Up to £13,500		5.5%	4.40%	Up to £13,500		5.5%
2	£13,501	£15,800	5.8%	4.64%	£13,501	£21,000	5.8%	4.64%
3	£15,801	£20,400	5.9%	4.72%	£21,001	£34,000	6.5%	5.20%
4	£20,401	£34,000	6.5%	5.20%	£34,001	£43,000	6.8%	5.44%
5	£34,001	£45,500	6.8%	5.44%	£43,001	£60,000	8.5%	5.10%
6	£45,501	£85,300	7.2%	4.32%	£60,001	£85,000	9.9%	5.94%
7	More than £85,300		7.5%	4.50% or 4.13%	£85,001	£100,000	10.5%	6.30%
8					£100,001	£150,000	11.4%	6.84%
9					More than £150,000		12.5%	6.88%

Please note that the net contribution rates stated are approximate and will depend on individual members' circumstances.

Additional flexibility - 50/50 Section

- Change to definition of pensionable pay to include:
 - Basic pay, plus
 - Non-contractual over-time
 - Additional hours for part-time staff
 - Impact on part-time members
 - Band assessed with reference to actual pensionable pay
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Example of a Career Average Earnings (CARE) calculation

2014 LGPS CARE	2014 Defined Benefit	Pensionable Pay paid during scheme year (pay rises 1% pa)	Earned Pension at end of scheme year	Value following revaluation (2.5%) at start of year:				
				2015/16 (Year 2)	2016/17 (Year 3)	2017/18 (Year 4)	2018/19 (Year 5)	2019/20 (Year 6)
Pension for 2014/15 (Year 1)	1/49 th	£20,000	£408	£418	£428	£439	£450	£461
Pension for 2015/16 (Year 2)	1/49 th	£20,200	£412		£422	£433	£444	£455
Pension for 2016/17 (Year 3)	1/49 th	£20,402	£417			£427	£438	£449
Pension for 2017/18 (Year 4)	1/49 th	20,606	£421				£432	£443
Pension for 2018/19 (Year 5)	1/49 th	£20,812	£425					£436
Value in Account				£418	£850	£1,299	£1,764	£2,244

Additional contributions

- Additional Voluntary Contributions (AVCs)
 - Contributions will continue for current members
 - Prudential or Standard Life

 - Additional Pension Contributions (APCs)
 - to increase 'earned pension' in scheme year
 - to make up 'lost' pension
 - pay over any number of years up to leaving/retirement

 - Existing Additional Regular Contributions (ARCs)/Added Years contracts continue but members can't enter into any new contracts
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Retirement

No change

- Rules unchanged governing the payment of pension benefits on the grounds of:
 - Redundancy
 - Efficiency
 - Flexible
 - Ill health

Change

- Normal retirement = SPA

New

- Retirement from age 55 **without** employer approval
 - Early retirement reductions will apply regardless of existing provisions
 - 85 year rule can be 'switched on'
 - Reductions can be waived

Benefits built up prior to 1 April 2014

- Normal Pension Age protected = 65 (some protections may apply)
 - 85-year rule protections continue
 - Additional protection for members within 10 years of 65 on 1 April 2012 called the 'statutory underpin'
 - Final Salary Defined Benefit continues, for membership as follows:
 - To 31 March 2008, 1/80th annual pension + 3/80th lump sum
 - 1 April 2008 – 31 March 2014, 1/60th annual pension
 - Final pay at leaving used to calculate benefits
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Final pay and Regulation 10 protection

- Normal Pension Age protected = 65 (some protections may apply)
- Final salary link continues for pre 2014 service
- Continued application of Benefit Regulation 8:
 - Last 365 days or one of the previous two years if higher
 - Add pensions increases (CPI) to pension benefits
 - Applied automatically at point of leaving/ retirement
- Continued application of BR10 protection
 - Pensionable pay average of 3 consecutive years in last 13 years
 - All at 31st March each year
 - Can pick any period – doesn't have to be the highest but must be consecutive
 - Election to be made at least one month before date of leaving/retirement
 - Add pensions increases (CPI) to pension benefits

Example of member leaving with pre and post 2014 service

Factors

- Date of leaving = 31 March 2034
- Male - age at leaving = 60 (SPA = 67)
- Total membership = 30 years
- Salary on 1 April 2014 = £38k
- Salary increases pa = 2%
- Final Pay = £55,359
- Revaluation increases = 2.5%
- Doesn't meet criteria for 2014 CARE underpin

Benefits @ 60 before reductions			Benefits @ 60 after reductions	
Total Pension	Total L/Sum		Total Pension	Total L/Sum
£32,575	£8,304		£23,424	£8,304
01/4/2014 – 31/03/2034 Age 67 CARE Pension £24,271		less 32% for early payment	01/4/2014 – 31/03/2034 CARE Pension £16,504	
01/04/2008 – 31/03/2014 (60th) Age 65 Pension £5,536		Less 25% for early payment	01/04/2008 – 31/03/2014 (60th) Pension £4,152	
01/04/2004 – 31/03/2008 (80th) Rule of 85 applies (age 60) Pension Lump Sum (3 x pension) £2,768 £8,304		No reduction – 85 year rule protection	01/04/2004 – 31/03/2008 (80th) Pension Lump Sum (3 x pension) £2,768 £8,304	

Annual Allowance test

- Each year the Pension Fund has to carry out a test to measure the growth of your pension benefits for that year
- Annual allowance for 2013/14 = **£50,000** reducing to
- Annual allowance for 2014/15 = **£40,000**
- Anyone exceeding these limits may incur a tax charge

The Pension Fund will monitor and contact members that may be affected by the Annual allowance limit. Members who feel they may exceed their tax allowance should contact Capita on 0800 121 6593 in the first instance or may wish to seek out Independent Financial Advice

Lifetime Allowance test

- This is the total value of pension benefits that you can build up without triggering an excess tax charge and it is carried out on exit from the Scheme
- Lifetime allowance threshold for 2013/14 = **£1.5 million** reducing to
- Lifetime allowance threshold for 2014/15 = **£1.25 million**

The majority of members are unlikely to be affected by the Lifetime allowance threshold. Members who feel they may exceed their tax allowance should contact Capita on 0800 121 6593 in the first instance or may wish to seek out Independent Financial Advice

Next steps

- This is the total value of pension benefits that you can build up without
You can download slides directly from this Live meeting facility
 - Our next newsletter will be issued in October
 - Up to date information and guides available through www.eapf.org.uk
and you can register to access information on your own personal
pension account
 - Contact us if you have any queries
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Any questions?
