



LANCASHIRE UNISON CAMPAIGN TO PROTECT OUR PENSIONS

LGPS - LATEST INFORMATION

The LGPS Benefit Regulations for England and Wales - 2007

The new Regulations were laid on 4 April. Although they are on the statute books, none of the changes come into force until 1 April 2008. The Regulations are posted on the Communities and Local Government website (CLG) www.communities.gov.uk

These Regulations do not address the issue of protection for the 'Rule of 85', which is being dealt with separately.

Summary of what the Regulations say

Lettering in bold identifies any changes from the draft Regulations

General

- The LGPS will continue to be a final salary scheme and the pension in payment will continue to be fully inflation-proofed, increasing in line with the Retail Price Index

Benefits

- The rate at which pension builds up for service after April 2008 will improve to 1/60th of pensionable pay x pensionable service

- Members will have complete choice as to whether they take part of their benefit as a cash sum on their post-April 2008 service. They can take up to 25% of the overall value of their benefits by exchanging £12 cash for each £1 pension given up

- All members including those with protection for the Rule of 85 will benefit from the new scheme provisions for service after April 2008

- As now, normal retirement age will be 65 and members can retire without employer consent from any age after 60

- Members made redundant after age 55 or retired in the interests of efficiency (50 for

existing members until April 2010) will continue to be entitled to immediate pension not reduced by an early retirement factor

■ Spouses'/partners' pension will build up at the same rate as now for death-in service. **In the current scheme the spouse's / partners' pension is based on the 'appropriate fraction' of the ill-health pension the member would have got at the date of death. This was not in the draft Regulations but is in the Regulations. Spouses' / partners' pensions in the new scheme will be based on the pension the member would have got if they had retired on the highest rate of ill-health retirement i.e. for those with more than two years service at death, their pension earned to date of death would be enhanced by 100% of potential service to age 65**

■ Short term spouses' / partners' and children's pensions were not in the draft Regulations and will not be in the new scheme. In the current scheme a short term pension is payable. For someone who dies in service the short term pension means that pensionable pay continues for 3 – 6 months after the date of death. For someone who dies in retirement the short term pension is based

on the pension in payment at the date of death and continues to be paid for 3 – 6 months

■ Spouses' / partners' pensions after retirement remain at same rate as in current scheme

■ Pensions for unmarried partners introduced. **Backdating to April 1988 is not in the Regulations but will be in an amending regulation**

■ Death in service lump sum increased to three times pay from April 2008

■ Death in retirement lump sum increased to 10 years pension less the pension payments made to the date of death

■ Children's pension - will build up the same as it does now. **Although not in the draft Regulations, the Regulations do provide the same higher rate of children's pension as in the current scheme where there is no spouse / partner pension payable**

■ Pensionable pay - same definition as now

■ Final pensionable pay is defined as either pay earned in the last 12 months or **the best year in the last three as in the current scheme (to be included in an amending regulation)**

■ If a member reduces their pay they can elect to take an average of the best three years in the last 10. **The years are now 'scheme years ending 31 March'. There is need for clarification as the Regulations only refer to those who are whole time**

■ Employers will have the power to increase a member's pensionable service by up to 10 years and increase a pension in payment by up to £5,000pa

■ Members will have the right to buy up to £5,000pa extra pension but will not be able to start buying added years after April 2008. **This is mainly as expected but has been expanded to allow the rate charged to buy extra pension to change if the cost changes**

Areas of significant difference between the draft Regulations and the Regulations for the new scheme

Contributions

■ In the draft Regulations contributions were a variable rate based on 5.5% on pay up to £12,000 and 7.5% on pay over £12,000

■ **Members' contributions will now be banded, but on a different basis. The intention is that the underlying rate will still be 6.3% and those who**

earn under £12,000 whole time will still pay 5.5%. There are now the following bands and people will pay the contribution for that band on all their pay.

Band	Range	Contribution Rate
1	£0-£12,000	5.5%
2	£12,001-£14,000	5.8%
3	£14,001-£18,000	5.9%
4	£18,001-£30,000	6.5%
5	£30,001-£40,000	6.8%
6	£40,001-£75,000	7.2%
7	More than £75,000	7.5%

The bands will go up in line with prices from April 2009

Part time workers

■ There is good news for those part-time staff regarded as 'term time'. **Their pay for determining which band they are in will be based on their actual pay and will not be based on whole time equivalent pay.** However for all other part time workers contributions will be based on whole time pay. Therefore part time members will pay the contribution rate

applicable to their whole time pay, see example below:

For example a part time worker on £12000 whose earnings on whole time hours is £16000 would pay 5.5% if they were regarded as 'term time' but any other part time worker would pay 5.9%.

The union is continuing to pursue this matter and may mount a legal challenge through test cases.

5% Contribution Rate

Those former manual workers who pay the 5% protected rate in the current scheme will have their protection phased out over three years from 2008. The phasing out was not in the draft proposals and is expected to be in the draft transitional regulations

Ill Health Retirement

There are changes to the original proposals in the draft Regulations and these are highlighted below. The union will be pursuing issues arising from the changes with the Government and employers.

Ill health retirement benefits under the Regulations are as follows:

- Gainful employment was not defined in the draft Regulations. It is now defined in the Regulations as able to do employment for not less than 30 hours a week for a period of not less than 12 months
- In the draft Regulations eligibility to ill health retirement was defined as when a member leaves service on ill health grounds with a reduced likelihood of undertaking 'gainful employment'. An additional qualification has been introduced into the new scheme the member must also now be unable to do their current job until at least age 65 i.e. 'permanent' as defined in the current scheme
- For those unable to do gainful employment until at least age 65

they will qualify for the top level of benefit. It will be benefits earned to the date of leaving with pensionable service enhanced by 100% of potential service to age 65. The enhancement is 100% instead of the 50% in the draft Regulations. The member must be incapable of gainful employment as now defined until at least age 65

- For those unable to undertake gainful employment within a reasonable period of leaving but before age 65 they will qualify for the second level of benefit. It will be the benefit earned to date of leaving with pensionable service enhanced by 25% of potential service to age 65. **Enhancement is the same as in draft Regulations but a member must be incapable of undertaking gainful employment as now defined for longer than a reasonable period after leaving**
- There is an underlying guarantee that enhancements are to be no worse than under current scheme for those 50 at April 2008 or 45 for some who joined before April 1997
- Under the draft Regulations those unable to do their current job at leaving but able to undertake gainful employment immediately or within a

reasonable time of leaving would be entitled to their benefits earned to date without any service enhancement

- This level of ill health retirement benefit is not in the Regulations. Instead, in the covering letter to the Regulations, it sets out that those who are permanently incapable of doing their current job but able to do gainful employment within a reasonable time of leaving would receive a benefit not now payable from the scheme as in the draft Regulations but will be paid instead by the employer out of current revenue. The benefit is likely to be of equivalent value to benefits earned to date of leaving. Unlike the proposals in the draft Regulations this benefit would be subject to review and could not continue if alternative employment was found. There are no further details on this proposal and the DCLG will publish details soon for consultation

The comparisons between (1) Current Scheme, (2) Original Draft Proposals and (3) LGPS Benefit Regulations (can be found on website www.unisonlancs.org.uk)

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For an application form contact the Branch Office on 01772 533072
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