

Local Government Pension Scheme

Changes to your Pension Scheme Benefits

Following the recent proposed changes to the Local Government Pension Scheme, UNISON, in conjunction with their advisors, have developed a benefits modeller for use by members. The aim of this modeller is to allow members to compare their pension benefit entitlements before and after the changes, using scenarios tailored specifically to each member.

The modeller is intended to act as a guide to members for illustrative purposes only. Members should always seek independent financial advice before making any financial decisions relating to their Local Government Pension Scheme pension benefits.

This explanatory document is intended to act as a guide to assist members in using the modeller.

Structure of the modeller

The modeller is split into five boxed sections, as shown below.

LOCAL GOVERNMENT PENSION SCHEME - PROJECTED PENSION MODELLER		AON Consulting
<p>Please enter your details in the white cells. Based on your selections, the coloured cells provide projections of your estimated pension and cash lump sum at your retirement date.</p>		<p>PROJECTED BENEFITS IF EXISTING SCHEME STRUCTURE CONTINUED (1.80THS PLUS 3/80THS LUMP SUM, WITH 85-YEAR RULE)</p>
<p>ABOUT YOU</p> <p>Date of Birth (dd/mm/yyyy) <input type="text" value="01/01/1950"/></p> <p>Male / Female <input type="text" value="Male"/></p> <p>Date Joined Scheme (dd/mm/yyyy) <input type="text" value="01/01/1985"/></p> <p>Proposed Retirement Age <input type="text" value="60"/></p> <p>Estimated Retirement Salary <input type="text" value="£15,000"/></p>		<p>If you took the automatic lump sum only you would receive:</p> <p>An annual pension of <input type="text" value="£4,688 p.a."/></p> <p>AND a lump sum of <input type="text" value="£14,063"/></p>
<p>SCHEME DESIGN</p> <p>Pension Accrual 60ths pension, no automatic lump sum on service post 1 April 2008</p> <p>Rule of 85 Protection 85 Year Rule protected to 2016 with tapered protection to 2020</p> <p>Early Retirement Reduction Factors New improved factors</p>		<p>If you took the lump sum specified under "Your retirement lump sum" you would receive:</p> <p>An annual pension of <input type="text" value="£4,193 p.a."/></p> <p>AND a lump sum of <input type="text" value="£20,000"/></p>
<p>YOUR RETIREMENT LUMP SUM</p> <p>Target lump sum <input type="text" value="£20,000"/></p> <p>Please enter the total lump sum you would like to receive on retirement (inclusive of any automatic entitlement).</p> <p>IMPORTANT NOTE: Your new scheme target lump sum must be at least £13,077 but less than £25,111. However, for your information, under the existing scheme structure your lump sum cannot be lower than the automatic figure of £14,063.</p>		<p>PROJECTED PENSION BASED ON REVISED SCHEME DESIGN FOR BENEFITS ACCRUED FROM APRIL 2008 (85-YEAR RULE PROTECTION UP TO 31 MARCH 2016 WITH TAPERED PROTECTION TO 31 MARCH 2020, 1.60THS PENSION, NO AUTOMATIC LUMP SUM)</p> <p>If you took the automatic lump sum only you would receive:</p> <p>An annual pension of <input type="text" value="£4,797 p.a."/></p> <p>AND a lump sum of <input type="text" value="£13,076"/></p>
		<p>If you took the total lump sum specified under "Your retirement lump sum" you would receive:</p> <p>An annual pension of <input type="text" value="£4,220 p.a."/></p> <p>AND a lump sum of <input type="text" value="£20,000"/></p>

- **About you**

This box is used to enter your personal details. The following details are required:

1. Type your date of birth (in dd/mm/yyyy format) and press the “Enter” key
2. Select your gender (from the list) and press the “Enter” key
3. Type the date you joined the Local Government Pension Scheme (in dd/mm/yyyy format) and press the “Enter” key
4. Select the age at which you intend to retire (from the list) and press the “Enter” key
5. Type an estimate of your pensionable salary at the retirement age selected above and press the “Enter” key

- **Scheme design**

This box shows the proposed structure of the Local Government Pension Scheme after 31 March 2008. This is fixed and you cannot make any decisions or select any options in this box.

- **Your retirement lump sum**

Any pension benefits which you accrue before 1 April 2008 include a guaranteed entitlement to a cash lump sum at retirement. This is referred to as your “automatic lump sum” within the modeller.

However, it is also possible to sacrifice part of your annual pension at retirement in order to increase the amount of this lump sum (subject to an upper limit). This box allows you to observe the impact upon your annual pension entitlement of changing your cash lump sum.

The modeller displays the range of permissible cash lump sums, based upon the information you have supplied in the “About You” box. If you enter a cash lump sum figure which is either lower than the automatic lump sum or higher than the maximum permissible lump sum, the modeller will display a warning indicating that the lump sum you have selected is not permissible.

An entitlement to automatic cash accrues on service before 1 April 2008 only. Therefore your automatic cash entitlement under the new scheme structure will be less than or equal to your automatic cash entitlement under the old scheme structure. Consequently, it is permitted to select a cash lump sum which is higher than the new scheme automatic cash entitlement but lower than the old scheme automatic cash entitlement.

- **Projected benefits if existing scheme structure continued**

This box shows projections of the annual pension and cash lump sum which you would have been entitled to if the existing scheme structure had continued until your retirement date. There are two sets of pension figures included in this box, the upper values and the lower values.

Upper values (green boxes)

The upper values show the cash lump sum plus annual pension which you would have been entitled to automatically, had the existing scheme continued.

Lower values (yellow boxes)

The lower values show the adjusted annual pension and cash lump sum figures based on the cash lump sum you have specified in the “Your Retirement Lump Sum” box. Again these represent what you would have been entitled to receive, had the existing scheme continued. If you have specified a cash lump sum which is lower than the automatic figure in the upper values, a warning will appear. This is because the old scheme structure does not permit you to take a cash lump sum lower than the automatic figure. However, as illustrative figures may be helpful to allow you to compare your pension entitlement under both the old structure and new structure, they have been retained but with an associated warning.

- **Projected pension based on revised scheme design for benefits accrued from April 2008**

This box shows projections of the annual pension and cash lump sum which you will be entitled to based on the new scheme structure, your proposed retirement age and your estimated retirement salary. Again, there are two sets of pension figures included in this box, the upper values and the lower values.

Upper values (green boxes)

The upper values show the cash lump sum plus annual pension which it is projected you will now be entitled to automatically, based on the old scheme structure for benefits accrued up to 31 March 2008 and the new scheme structure for benefits accrued from 1 April 2008.

Lower values (yellow boxes)

The lower values show the adjusted annual pension and cash lump sum figures based on the cash lump sum you have specified in the “Your Retirement Lump Sum” box. Again, these represent what it is projected you will now be entitled to receive, based on the old scheme structure for benefits accrued up to 31 March 2008 and the new scheme structure for benefits accrued from 1 April 2008.

Direct comparison of the two sets of “lower values” will enable members to compare their cash lump sum and annual pension entitlement under the old and new scheme structures.