

The New Local Government Pension Scheme (England and Wales)

– New Regulations Briefing

The new LGPS started on 1 April 2014 in line with an agreement between the unions, employers and the government. This briefing provides a summary of the benefits and protections that are now laid down in law.

The new Scheme is a Career Average Revalued Earning Scheme (CARE). This is a type of defined benefit scheme that uses a members averaged pensionable earnings over the lifetime of their active scheme membership. All new benefits earned after 1 April 2014 will be under the new CARE scheme.

New Scheme Benefits

The main differences in benefits between the new 2014 scheme and the 2008 scheme are:

Accrual Rate

New scheme will be 1/49th per year (just over 2%) instead of the previous 1/60th (just over 1.66%)

The accrual rate is the fraction or % of earnings used to build up your pension for each year or part year of service you are in the scheme.

Revaluation Rate

The Consumer Price Index (CPI) will be used for increases in pensions

Pensionable Pay

Includes non-contractual overtime for the first time

Contribution Flexibility

Scheme members can now elect to reduce contributions to 50% and get 50% accrual rate. 1/98th members can elect at any time to pay full rate again when they can afford it.

This is aimed at new joiners, or those facing financial challenges.

Vesting Period

Two years (joiners before 1 April 2014 - 3 months)

A member joining after 1 April who leaves the LGPS with less than 2 years service can get a refund of their own contributions. Those who return to the LGPS within 5 years of leaving can combine periods of service to qualify for benefits instead of taking a contribution refund.

Higher Normal Retirement Ages

This will now be the government's State Pension Age Retirement Age rather than 65.

Can retire from age 55

Employer consent for those in service at 1 April over the age of 55 is no longer required, but there are likely to be high early retirement reductions.

Benefits earned before 1 April 2014 will be based on a members final salary with a 1/60th accrual rate. Benefits earned before 1 April 2008 will remain on final salary with a 1/80th accrual plus additional 3/80th lump sum.

Main Protections

The salary link on benefits earned before April 2014 remains the same as in the 2008 scheme that is 'final salary'. There are the existing protections in the 2008 scheme if the employer reduces your pay for 'final salary' benefits earned up to April 2014.

A member who has opted out of the LGPS will retain the salary link if they rejoin within five years of opting out. If they do opt out they will have 12 months to decide whether to combine their previous period of service. If their pay has gone down they may decide to keep it deferred, which will see it going up in line with prices.

Scheme members will have underpin protection if they were within 10 years of their normal retirement age in April 2012 and were contributing to the LGPS at 31 March 2014. In the unlikely event that the pension would have been better if they had retired between 60 and 65 under the 2008 scheme members would get the higher amount.

Those with 'Rule of 85' protection will continue to have the same protection as they had before the new scheme was introduced.

Those with 'Rule of 85' protection who voluntarily retire between 55 and 60 will have early retirement reduction limited to age 60 or the date they satisfy the rule of 85 if later (instead of 65 as originally drafted in the regulations) UNISON argued successfully for this improvement.

If a member retires after April 2014 they must take all their benefits at the same time unless the employer agrees to flexible retirement when they will have a choice on whether to draw pension they earned after April 2008.

Want to find out more?

For detailed questions about your own circumstances, you should first contact your employers pension department. To find out who to contact at your Administering Authority or for more information about the LGPS visit the scheme website at www.lgps2014.org

Additionally, if you are a UNISON member and have a pensions query you can raise this with your UNISON branch who may refer it to your region. If appropriate the region will send it to UNISON's pensions unit. To find out more visit unison.org.uk

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