



YOUR NEW LOCAL GOVERNMENT PENSION SCHEME GOES LIVE IN APRIL 2009

In previous editions of Insider we told you of proposals for a new Local Government Pension Scheme (LGPS) from 1st April 2009. The regulations have now been finalised. The main changes are detailed below and have been made public at www.sppa.gov.uk

WHAT DO THE CHANGES MEAN FOR YOU?

Firstly, rest assured if you already pay into the Local Government Pension Scheme (LGPS) on 31st March 2009 and you continue to have a contract of employment on 1st April 2009, your existing benefits are safeguarded. You automatically build up benefits in the new LGPS from 1st April 2009.

Secondly, new regulations mean that employee contributions are changing from a flat rate of 6% to tiered contributions. From next year, how much you are paid directly affects how much your contributions are. Basically, the lower your salary, the lower your contributions – those with full time equivalent earnings of £18,000 and below will contribute 5.5%. For those earning over £23,500 the average gross contribution rate to the new LGPS will be more than 6%, but this will be less after tax and national insurance breaks. Contribution rates from 1st April 2009 will be based on your full time equivalent rate of pay as at 31st March 2009. The following different percentage rates will apply for each tranche of pay you cross:

PAY TRANCHE	CONTRIBUTION RATE (%)
Up to and including £18,000	5.50
Above £18,000, up to £22,000	7.25
Above £22,000, up to £30,000	8.50
Above £30,000, up to £40,000	9.50
Above £40,000	12.00

AN EXAMPLE

Tom's full time equivalent rate of pay at 31st March 2009 was £31,000.

Tom's contribution from 1st April 2009 is calculated as:

5.50% of £18,000	£990
7.25% of £4,000	£290
8.50% of £8,000	£680
9.50% of £1,000	£95
Total	£2,055

Tom's average gross contribution rate from 1st April 2009 would be $6.63\% = \frac{2,055}{31,000}$.

However, when you take account of tax and national insurance breaks, Tom's gross contribution rate of 6.63% reduces to a net contribution of 3.99% using 2008/9's tax / national insurance rates and bands.

Thirdly, the method of calculating an LGPS pension will change. Currently calculated as length of service x 1/80th of pay, (and 3/80ths for lump sum), from 1st April 2009, it is calculated as length of service x 1/60th.

AN EXAMPLE

Betty is retiring with a final salary of £40,000, pre 2009 membership of 20 years and post 2009 membership of 7 years.

Betty's benefits are calculated as follows:

Betty's pension from old LGPS	
20 yrs x £40,000 ÷ 80	£10,000.00
Betty's pension from new LGPS	
7 yrs x £40,000 ÷ 60	£ 4,666.67
Total LGPS pension	£14,666.67

Betty will also receive a lump sum from the old LGPS of $3 \times £10,000.00 = £30,000.00$. She can also exchange further pension for more lump sum from either scheme.

In summary, still one of Scotland's best pension schemes, the new LGPS is a valuable part of the pay and reward package for GCC employees. The Council make a very significant contribution towards the cost of making the LGPS available to you. If you choose not to be a member, you will lose out on GCC's pension contribution.

As a member you will be guaranteed a secure pension at retirement, as well as other benefits:

- A pension based on your final salary.
- A pension increasing each year in line with price inflation.
- A pension payable to your surviving spouse, registered civil partner or nominated cohabiting partner on your death after retirement.
- The ability to exchange some of your pension providing a tax free lump sum.

You will also be protected against permanent ill health or death in service with:

- Lump sum death in service protection, three times your pay.
- Pensions for surviving spouses, surviving registered civil partners and surviving nominated cohabiting partners on your death.
- Permanent ill health pensions paid from any age for those with two years' service.

KEEPING YOU UP TO DATE

The Strathclyde Pension Fund Office is planning a range of communications initiatives to ease in the new LGPS.

In the meantime, if you have any questions, you can visit: 2nd Floor, 78 Queen Street, email: spfo@glasgow.gov.uk visit www.spfo.org.uk or phone 0845 213 0202.