



Newsletter



Why you should CARE...

Following the Public Sector Pension review, it has been announced that a new Local Government Pension Scheme (LGPS) will come into force from **1 April 2014**. The scheme will be based on **Career Average Re-valued Earnings (CARE)**. All existing members as at 31 March 2014 will transfer automatically to the new scheme on 1 April 2014. **Here is a quick update of the changes.**

Welcome...

to the latest edition of the All Wales Pension Funds Newsletter.



Contact Us

RCT Pension Fund

☎ 01443 680 611
@ www.rctpensions.org.uk
✉ pensions@rctcbc.gov.uk

50/50 Option

From 1 April 2014, you will have the option to pay half your normal contribution, to receive half the level of pension in return for this period. However, you will retain full ill health and death cover during this time.

For example, if your normal rate is 6.50%, you can choose to pay 3.25% and then build up 50% of your pension during this time.

If you wish to opt for the 50/50 option, you will need to request a **50/50 election form** from your Employer. If you wish to come back into the 'Main scheme', you will then need to complete another form.

Please note this is a short term option for use during periods of financial hardship.

Contribution Rates

If you earn less than £43,000 annually, you may pay less into the scheme, although 'non-contractual overtime' payments will now become pensionable under the LGPS 2014.

Instead of your rate being based on your 'full time equivalent' pensionable pay, it will now be calculated with reference to your '**actual pensionable pay**' from 1 April 2014.

The Banding Arrangement from **1 April 2014** is as follows:

Pensionable Pay	Gross	Net
Up to £13,500	5.50%	4.40%
£13,501 to £21,000	5.80%	4.64%
£21,001 to £34,000	6.50%	5.20%
£34,001 to £43,000	6.80%	5.44%
£43,001 to £60,000	8.50%	5.10%
£60,001 to £85,000	9.90%	5.94%
£85,001 to £100,000	10.5%	6.30%
£100,001 to £150,000	11.4%	6.84%
£150,001 or more	12.5%	6.88%

Retirement Age

You will have the flexibility to retire at anytime from age 55 to 75. Employer consent will no longer be needed to draw benefits from age 55 to 60, which means you will be able to retire voluntarily from age 55, but your benefits will be actuarially reduced to take account of early payment before your Normal Pension Age (NPA).

From 1 April 2014, your NPA will be linked to your **State Pension Age (SPA)**, therefore any future changes in your SPA will impact on your NPA.

Increasing Your Benefits



Additional Voluntary Contributions (AVC)

You will still be able to contribute to this arrangement from 1 April 2014, and benefit from **tax relief**.

The main change under this option is the removal of the potential 100% tax free cash option (**subject to HMRC limits**) upon retirement for **New AVC Contributors** from 1 April 2014. Going forward, this limit will be set at 25%, with the remainder of the fund being used to increase your pension.

However, if you are an **existing AVC contributor** or if you decide to start an AVC arrangement on or **before 31 March 2014**, you will retain the 100% tax free cash option upon your retirement. In order to retain this option, your contributions must be restricted to a maximum of 50% of your pay.

If you start paying after 1 April 2014, you will be able to contribute up to 100% of your monthly pay, after statutory deductions have been made.

Additional Pension Contributions (APC)

This is the new arrangement for purchasing an additional pension amount, payable in addition to your scheme pension when you retire.

From 1 April 2014, the maximum amount of pension that can be purchased is **£6,500**.

Please note

Existing ARC / Added Years contracts will continue as normal from 1 April 2014.

LGPS 2014 Update

Protection



If you were an **active member as at 31 March 2012** and within 10 years of your Normal Pension Age (normally age 65) on **1 April 2012** i.e. you were born on or before 1 April 1957, your pension benefits upon your retirement will be assessed to ensure that you are NO worse off under the LGPS 2014.

Death Grant & Survivor Benefits

As an active member, the death grant payable in the event of your death will remain **3 times** your annual pensionable pay.

A survivor's pension will also continue to be automatically payable at the same rate (1/160th) to either your spouse or registered civil partner. However, it will now become automatically payable to an **eligible co-habiting partner** from 1 April 2014. Pensions will continue to be payable to any eligible children.

Vesting Period

The qualification period for scheme benefits will rise from 3 months to **2 years** from 1 April 2014. This means that you will need to be a member for at least **2 years** to qualify for benefits from the scheme.

If you leave your employment or choose to opt out of the scheme in this time, you will then have the option to receive a refund of your contributions, defer your refund or transfer to another pension arrangement.



Calculating your benefits

The pension benefits that you build up from **1 April 2014** will no longer be linked to your final salary. The LGPS 2014 will operate on a **Career Average Re-valued Earnings (CARE)** basis.

From 1 April 2014, you will have a **pension account** per employment, which will be credited annually with the amount of pension that you have built up from **1 April to 31 March** each year. This is based on your **actual pensionable pay** from 1 April to 31 March and the new **1/49th** accrual rate.

Your **pension account** will then be re-valued each April in line with the Consumer Price Index (CPI).

Your membership up to **31 March 2014** will continue to be calculated on a final salary basis when you retire, with reference to your pensionable pay **upon retirement** and under the current definition i.e. LGPS 2008.

Example

Sian joined the LGPS on 1 April 1998 and has decided to retire on **31 March 2016**, having always worked full time.

In order to calculate her benefits, the **CARE** and **Final Salary** element will need to be calculated separately.

CARE Pension Account

Sian's actual pensionable earnings during **Year 1** (1 April 2014 to 31 March 2015) was £29,000 and £29,290 during **Year 2** (1 April 2015 to 31 March 2016).

Year	Pensionable Pay	Accrual	Pension
1	£29,000	÷ 49	£603.68*
2	£29,290	÷ 49	£597.76
Total			£1,201.44

* Includes Revaluation of 2% for **Year 1**

Final Salary Element

Membership Period	Years	Accrual
01/04/1998 - 31/03/2008	10	80th
01/04/2008 - 31/03/2014	6	60th

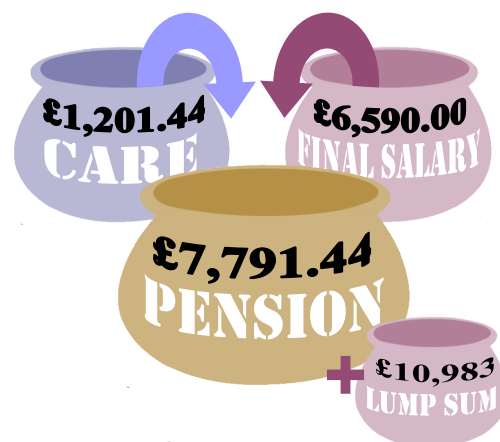
Annual Pension

Years	Accrual	Pensionable Pay	Pension
10	÷ 80	x £29,290	£3,661
6	÷ 60	x £29,290	£2,929
Total			£6,590

Automatic Lump Sum

Years		Pensionable Pay		L. Sum
10	÷ 80	x £29,290	x 3	£10,983

Total Value of Benefits



More tax free cash?

Sian now has the option to give up part of her Annual Pension (**subject to HMRC limits**) to gain more tax free cash (in addition to her automatic lump sum). For every **£1 of pension** she decides to give up, she will receive **£12 of tax free cash** in return.