

LGPS 2014 - Examples

In all of the following examples it is assumed that each member is either already in service or joins on 1st April 2014. Pensions are calculated to the date of leaving service. The current Normal Pension Age (NPA) is assumed as age 65 in all cases and State Pension Ages have been calculated on the basis of existing government plans. The examples assume that CPI inflation is 2.5% each year and three different pay growth assumptions are shown:

- **Pay growth will be 1% a year** (that is, 1.5% below the assumed rate of inflation)
- **Pay growth will be 2.5% a year** (that is the same as the assumed rate of inflation)
- **Pay growth will be 4% a year** (that is, 1.5% above the assumed rate of inflation)

In some cases increases over and above assumed pay growth due to promotions are included.

The examples compare the total pension of the LGPS 2014, added to the protected pensions for service before 2014, with the total pension if the LGPS carried on as a final salary scheme after 2014

The pension in the LGPS 2014 is based on a 1/49th accrual rate for membership after 31 March 2014.

Both the protected and comparator Final Salary pensions in the examples use the current Normal Pension Age of 65 as well as the current 1/80th accrual rate for pre April 2008 membership and 1/60th accrual rate for membership after 31 March 2008 and before 1st April 2014. They are calculated using the final year's pensionable pay on leaving and this is derived by applying the annual pay growth assumption and any assumed promotion increases shown in the example to the pensionable pay figure at 1st April 2014 shown in the example. Any LGPS 1997 benefits would also include a lump sum (not shown).

In a number of the examples the pension at different ages is shown to give an indication of the effect of taking the benefits at those ages using the current LGPS early / late retirement factors. These are likely to be reviewed ahead of the new scheme starting. Members should note that on leaving pensionable service their pension will increase in line with CPI both during any period before the pension is brought into payment and when in payment.

For an explanation of the terms underlined see the LGPS 2014- Glossary

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EXAMPLE 1

Jenny is a full-time Housing Management Team Leader with annual pensionable pay of £33,312 on 1st April 2014. Jenny was born in 1965 so will be 49 on the 1st April 2014 with 8 years pensionable service in the LGPS (including two years transferred in from another pension scheme). Jenny thinks it unlikely she will be promoted prior to leaving her post. If Jenny leaves at age 61 and elects to take her benefits immediately both Jenny's pre and post 1st April 2014 pension amounts will be actuarially reduced but by different amounts. This is because her protected NPA of 65 means her pre 2014 pension is being taken 4 years early while her LGPS 2014 pension with an NPA of 67 is being taken 6 years early. If she remains in the scheme until 67 she will have no reduction on her LGPS 2014 pension and an increase to her pre 2014 pension due to it being taken two years later than her protected NPA.

JENNY			
Membership to April 2014 - 8 years			
State Pension Age – 67			
Assumed Pay Growth	1% per year	2.5% per year	4% per year
Age Pension Taken	61	61	61
Pre 2014 Protected Pension	£3,716	£4,371	£5,128
Membership from April 2014	12 years	12 years	12 years
LGPS 2014 Pension	£7,215	£7,814	£8,475
Total Pension	£10,931	£12,185	£13,603
Compared with a 20 year Final Salary pension	£9,663	£11,364	£13,333
Age Pension Taken	67	67	67
Pre 2014 Protected Pension*	£5,435	£6,982	£8,938
Membership from April 2014	18 years	18 years	18 years
LGPS 2014 Pension	£16,475	£18,620	£21,128
Total Pension	£21,910	£25,602	£30,066
Compared with a 26 year Final Salary pension*	£18,479	£23,742	£30,394

* As these benefits are shown at age 67 (two years after the protected NPA of 65) they include a 10.22% enhancement

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EXAMPLE 2

Eileen is a full-time teaching assistant who is not in the LGPS currently but hopes to join on the 1st April 2014 at the age of 25 at which time her annual pensionable pay will be £13,189.

Eileen hopes to be promoted to a cleaning supervisor in about 9 years time which should increase her annual pensionable earnings by 20% over and above her annual increases.

If Eileen leaves with 25 years pensionable service in the new scheme her deferred pension payable at 68 would be as shown in the table below. If Eileen takes her deferred benefit at 65 (the current Normal Pension Age) rather than 68 (her LGPS 2014 Normal Pension Age) her pension would be actuarially reduced by around 15%.

EILEEN			
Membership to April 2014 - 0 years			
State Pension Age - 68*			
Assumed Pay Growth**	1% per year	2.5% per year	4% per year
Age Pension Taken	68	68	68
Pre 2014 Protected Pension	£0	£0	£0
Membership from April 2014	25 years	25 years	25 years
LGPS 2014 Pension	£11,480	£13,729	£16,553
Total Pension	£11,480	£13,729	£16,553
Compared with a 25 year Final Salary pension	£9,657	£13,756	£19,495

* For examples where an SPA of 68 is quoted it should be noted that this is based on current published legislation and may turn out to be higher than 68. Please refer to the LGPS 2014 Retirement document for more information on SPA.

** Plus promotional increase as stated in the text

EXAMPLE 3

Denise is a part-time Administrator in Finance who will be 52 on the 1st April 2014. She will have 16 years accrued pensionable service (32 years at 50%) and have an annual pensionable pay of £11,906 at that time (this equates to an annual full-time equivalent pensionable pay of £23,812). She expects to continue working at 50% full-time hours. She does not anticipate being promoted prior to leaving her post. Denise hopes to stay in the LGPS until she is 65. If she does, only Denise's LGPS 2014 pension will be actuarially reduced for early payment as her Normal Pension Age for pre 1st April 2014 membership is protected at 65. If she stays until 67 no reduction is applied to her LGPS 2014 pension and her pre April 2014 pension would be actuarially increased.

DENISE			
Membership to April 2014 - 16 years*			
State Pension Age - 67			
Assumed Pay Growth	1% per year	2.5% per year	4% per year
Age Pension Taken	65	65	65
Pre 2014 Protected Pension	£5,702	£6,805	£8,101
Membership from April 2014	13 years	13 years	13 years
LGPS 2014 Pension	£3,466	£3,781	£4,130
Total Pension	£9,168	£10,586	£12,231
Compared with a 22.5** year Final Salary pension	£8,609	£10,275	£12,231
Age Pension Taken	67	67	67
Pre 2014 Protected Pension***	£6,410	£7,879	£9,657
Membership from April 2014	15 years	15 years	15 years
LGPS 2014 Pension	£4,654	£5,150	£5,712
Total Pension	£11,064	£13,029	£15,369
Compared with a 23.5** year Final Salary pension***	£10,180	£12,514	£15,336

* Denise has been in the scheme for 32 years but as a 50% part-time worker this translates to 16 years for the purposes of calculating benefits

** Calendar years of 45 and 47 respectively before taking into account 50% part time hours.

*** As these benefits are shown at age 67 (2 years after the protected NPA of 65) they include a 10.22% enhancement

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EXAMPLE 4

Tim is a full-time 42 year old Grade 5 Team Leader who will have an annual pensionable pay of £30,723 and 11 years pensionable service in the LGPS as at 1st April 2014. He is not optimistic about his promotion opportunities and does not wish to speculate.

If Tim leaves at age 65 with 23 years pensionable service in the new scheme his pension amounts would be those shown in the table below.

Only Tim's LGPS 2014 pension has been actuarially reduced for early payment as his Normal Pension Age for pre 1st April 2014 membership is protected at 65.

TIM			
Membership to April 2014 - 11 years			
State Pension Age - 67			
Assumed pay growth	1% per year	2.5% per year	4% per year
Age Pension Taken	65	65	65
Pre 2014 Protected Pension	£6,214	£8,595	£11,832
Membership from April 2014	23 years	23 years	23 years
LGPS 2014 Pension	£18,878	£22,096	£26,045
Total Pension	£25,092	£30,691	£37,877
Compared with a 34 year Final Salary pension	£20,873	£28,870	£39,743

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EXAMPLE 5

Darshan is a full-time technician in a further education college. He will be 24 on the 1st April 2014 and will have 2 years past service in the LGPS.

His annual pensionable pay at 1st April 2014 will be £18,354 and he expects to be promoted a year later with his pensionable pay increasing by 3% over and above his annual increases.

If Darshan leaves the scheme with 7 years pensionable service his deferred pension payable at 68 would be as shown in the table below. If Darshan takes his deferred benefit at 65 (his current Normal Pension Age) rather than 68 (his estimated LGPS 2014 Normal Pension Age) his LGPS 2014 pension would be actuarially reduced by around 16%.

DARSHAN			
Membership to April 2014 - 2 years			
State Pension Age - 68*			
Assumed pay growth**	1% per year	2.5% per year	4% per year
Age Pension Taken	68	68	68
Pre 2014 Protected Pension***	£756	£802	£850
Membership from April 2014	5 years	5 years	5 years
LGPS 2014 Pension	£2,055	£2,117	£2,180
Total Pension	£2,811	£2,919	£3,030
Compared with a 7 year Final Salary pension***	£2,646	£2,807	£2,975

* For examples where an SPA of 68 is quoted it should be noted that this is based on current published legislation and may turn out to be higher than 68. Please refer to the LGPS 2014 Retirement document for more information on SPA.

** Plus promotional increases as stated in the text

*** As these benefits are shown at age 68 (3 years after the protected NPA of 65) they include a 15.33% enhancement

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EXAMPLE 6

Estelle is a 75% part-time Police Station Reception Clerk who will be 46 on the 1st April 2014 at which time her actual pensionable pay will be £16,938 (an annual full-time equivalent pensionable pay of £22,584). She is confident of a promotion in four years time worth an extra 10% over and above her annual pay increases.

Estelle will have 12 years pensionable service (16 years at 75%) at 1st April 2014. If she leaves and takes her benefits at age 60 her pre 1st April 2008 benefits will not be actuarially reduced (because she meets the Rule of 85). However, her 1st April 2008 to 31st March 2014 and post 31st March 2014 pensions will be actuarially reduced but by different amounts. If she stays until 67 there will be no reductions and an actuarial increase to her pre April 2014 pension benefits.

ESTELLE			
Membership to April 2014 - 12 years*			
State Pension Age - 67			
Assumed Pay Growth**	1% per year	2.5% per year	4% per year
Age Pension Taken	60	60	60
Pre 2014 Protected Pension	£4,262	£5,162	£6,236
Membership from April 2014	14 years	14 years	14 years
LGPS 2014 Pension	£4,480	£4,932	£5,440
Total Pension	£8,742	£10,094	£11,676
Compared to a 22.5*** year Final Salary pension	£8,022	£9,717	£11,737
Age Pension Taken	67	67	67
Pre 2014 Protected Pension****	£5,637	£7,570	£10,122
Membership from April 2014	21 years	21 years	21 years
LGPS 2014 Pension	£11,114	£12,858	£14,958
Total Pension	£16,751	£20,428	£25,080
Compared with a 27.75*** year Final Salary pension****	£14,407	£19,348	£25,872

*Estelle has been in the scheme for 16 years but as a 75% part-time worker this translates to 12 years for the purposes of calculating benefits

** Plus promotional increases as stated in the text

*** Calendar years of 30 and 37 respectively before taking into account 75% part time working

**** As these benefits are shown at age 67 (2 years after the protected NPA of 65) they include a 10.22% enhancement

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EXAMPLE 7

Andre is a full-time Crime Scene Investigator. He will be 30 on the 1st April 2014 and will have built up 5 years pensionable service and have an annual pensionable pay of £21,099 per annum at that date

He hopes to remain in his post and the LGPS until age 55 and anticipates he would receive 4 promotions each worth 10% over and above his annual pay increases during that time.

If Andre remains in his employment to age 55 he could either take his pension with a substantial reduction or leave it as a deferred pension payable unreduced at age 68. The amounts payable at that age would be those shown in the table below. If Andre takes his deferred benefit at 65 (his current Normal Pension Age) rather than 68 (his estimated LGPS 2014 Normal Pension Age) the part of his pension relating to the LGPS 2014 would be actuarially reduced by around 16%.

ANDRE			
Membership to April 2014 - 5 years			
State Pension Age - 68*			
Assumed pay growth**	1% per year	2.5% per year	4% per year
Age Pension Taken	68	68	68
Pre 2014 Protected Pension***	£3,770	£5,370	£7,610
Membership from April 2014	25 years	25 years	25 years
LGPS 2014 Pension	£20,056	£24,135	£29,282
Total Pension	£23,826	£29,505	£36,892
Compared with a 30 year Final Salary pension***	£22,618	£32,219	£45,661

* For examples where an SPA of 68 is quoted it should be noted that this is based on current published legislation and may turn out to be higher than 68. Please refer to the LGPS 2014 Retirement document for more information on SPA.

** Plus promotional increases as stated in the text

*** As these benefits are shown at age 68 (3 years after the protected NPA of 65) they include a 15.33% enhancement

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EXAMPLE 8

Tom is a full-time Street Cleaner. He will be 46 on the 1st April 2014, will have pensionable pay of £9,860 per annum and will have built up 4 years pensionable service by that date.

Tom does not anticipate any promotions between now and when he hopes to retire. Given his income he expects to remain working until his state pension is payable at 67. His protected pre April 2014 pension would therefore be actuarially increased as Tom will be taking it 2 years after his protected NPA of 65.

TOM			
Membership to April 2014 - 4 years			
State Pension Age - 67			
Assumed pay growth	1% per year	2.5% per year	4% per year
Age Pension Taken	67	67	67
Pre 2014 Protected Pension*	£884	£1,187	£1,587
Membership from April 2014	21 years	21 years	21 years
LGPS 2014 Pension	£5,999	£6,294	£8,038
Total Pension	£6,883	£8,111	£9,625
Compared with a 25 year Final Salary pension*	£5,525	£7,420	£9,921

* As these benefits are shown at age 67 (2 years after the protected NPA of 65) they include a 10.22% enhancement

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EXAMPLE 9

Bronwyn is a full-time Gardener. She was born in 1961 so will be 53 on the 1st April 2014 with 25 years pensionable service in the LGPS and an annual pensionable pay of £12,788 at that date. She is confident she will get one more promotion prior to retiring which will increase her pay by 5% over and above any annual pay increase.

Bronwyn hopes to retire at 65 by which time she will have 12 years in LGPS 2014. She is aware her LGPS 2014 pension will be actuarially reduced as she will be retiring 2 years before her new Normal Pension Age. However, she has planned to go at 65 for some time and does not wish to change those plans. Her protected pre April 2014 pension is payable without a reduction at 65.

BRONWYN			
Membership to April 2014 - 25 years			
State Pension Age - 67			
Assumed pay growth*	1% per year	2.5% per year	4% per year
Age Pension Taken	65	65	65
Pre 2014 Protected Pension	£5,056	£5,946	£6,976
Membership from April 2014	12 years	12 years	12 years
LGPS 2014 Pension	£3,457	£3,749	£4,070
Total Pension	£8,513	£9,695	£11,046
Compared with a 37 year Final Salary pension	£8,052	£9,470	£11,111

* Plus promotional increases as stated in the text

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EXAMPLE 10

John is an assistant Finance Director and his annual pensionable pay on 1st April 2014 will be £73,210. John will be 62 on that date with 35 years pensionable service in the LGPS.

Although he could take an unreduced pension earlier, due to his protected Rule of 85 option, John plans to retire at 65, which is his Normal Pension Age for both his protected pre 2014 pension and his 3 years in the LGPS 2014.

JOHN			
Membership to April 2014 - 35 years			
State Pension Age - 65			
Assumed pay growth	1% per year	2.5% per year	4% per year
Age Pension Taken	65	65	65
Pre 2014 Protected Pension	£34,540	£35,574	£36,623
Membership from April 2014	3 years	3 years	3 years
LGPS 2014 Pension	£4,641	£4,709	£4,778
Total Pension	£39,181	£40,283	£41,401
Compared with a 38 year Final Salary pension	£38,274	£39,420	£40,582

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EXAMPLE 11

Susan a HR manager was born in 1959 and will be 55 on 1st April 2014 at which time she will be have pensionable pay of £48,320 and 20 years membership in the LGPS. Her State Pension Age will be 66 so if she retires at 65 (her protected pre 2014 Normal Pension Age) her LGPS 2014 pension will be reduced by 5%. If, however, she continues in work until 66 (her LGPS 2014 Normal Pension Age) her pre 2014 pension will be actuarially increased.

Susan is confident that she will receive two more promotions before she retires both of 20% over and above her assumed pay growth.

SUSAN			
Membership to April 2014 - 20 years			
State Pension Age - 66			
Assumed Pay Growth*	1% per year	2.5% per year	4% per year
Age Pension Taken	65	65	65
Pre 2014 Protected Pension	£20,927	£23,897	£27,235
Membership from April 2014	10 years	10 years	10 years
LGPS 2014 Pension	£12,292	£13,197	£14,180
Total Pension	£33,219	£37,094	£41,415
Compared with a 30 year Final Salary pension	£33,611	£38,379	£43,741
Age Pension Taken	66	66	66
Pre 2014 Protected Pension**	£22,215	£25,743	£29,768
Membership from April 2014	11 years	11 years	11 years
LGPS 2014 Pension	£14,831	£16,057	£17,402
Total Pension	£37,046	£41,800	£47,170
Compared with a 31 year Final Salary pension**	£37,024	£42,905	£49,614

* Plus promotional increases as stated in the text

** As these benefits are shown at age 66 (1 year after the protected NPA of 65) they include a 5.11% enhancement