

**Extracted from Northamptonshire County Council LGPS Newsletter- July 2007****NEW LOOK PENSION SCHEME****Active from 1 April 2008**

We have already identified the problems with the production of regulations however, it is important that you are aware of some of the changes that are expected so that you can take the necessary steps to ensure your systems (**especially payroll systems**) can cope with them.

**Benefits, Membership and Contributions Regulations 2007**

- New employees must have a contract of more than 3 months duration in order to join the Scheme
- All existing members will be transferred to the New Look Scheme
- It appears that although a new scheme, individuals who previously opted not to join the current scheme will retain that option. However, all employees eligible to join the New look Scheme should be made aware of that Scheme. Unsure if we will need to retain any proof that such information has been provided to individuals.
- New scheme provides a pension of 1/60<sup>th</sup> of final pay
- New scheme provides no automatic lump sum but affords ability to commute pension to lump sum ratio of 1:12
- Membership to 31 March 2008 will still be based on 1/80ths
- 25% of capital value of benefits can be taken as lump sum
- Contributions based on same definition of pay as now
- Contributions cannot be collected from pay after age 75
- **Contribution rates will be tiered and vary from 5.5% to 7.5%**
- **Protection will be afforded to existing 5% contributors. A phased increase will apply to those individuals**
- **Contributions are to be paid at a percentage based on a range of earnings. This is causing some considerable problems as to how this should be applied to individuals to prevent an increase in salary putting someone in a higher contribution bracket and potentially making them worse off. Further clarification and amending regulations are required, but at this time it seems that payroll providers must be able to use varying contribution rates dependent on earnings.**
- **Consideration is also being given to identifying an individual's contribution tier by reference to the previous financial year's earnings or earnings at commencement of employment.**
- Benefits will be based on Final Pay being the best one of the last 3 years.
- **Where a post is downgraded benefits can be based on the average of 3 consecutive years in the last 10. This may be an immediate provision so payrolls need to retain this data in case needed**

- Normal retirement age will be 65
- Retain ability to draw benefits from 60 (with possible actuarial reductions)
- If retirement after 65 (but before 75) benefits will be actuarially increased. However the position needs to be reviewed as need clarity as to whether all benefits increased or just those that accrue before 65
- Flexible retirement is permitted from age 55 (existing members 50). However, the regulations do not indicate that employer consent is required. CLG say this is drafting error; however this error has been identified previously and has yet to be amended
- Benefits drawn before 65 will be actuarially reduced (employer can waive reduction)
- Redundancy / efficiency retirement from 55 (50 for existing members up to April 2010)
- Two tier ill health retirement. If the member's employment is terminated because of permanent ill health then benefits based on accrued membership plus 2 years membership:-
  - 25% of prospective membership between leaving and age 65 where the member is likely obtain gainful employment within a reasonable period of time but is unlikely to be able to obtain gainful employment before age 65, or
  - 100% of prospective membership between leaving and age 65 where the member has no reasonable prospect of obtaining gainful employment before age 65
  - Gainful employment is defined as "paid employment for not less than 30 hours per week for a period of not less than 12 months" The clarification of this will certainly lead to an increase in appeals and therefore additional medical determinations by employers. Hopefully initial decisions will not be open for review as to employability status.
  - Members aged 45 or over on 31 March 2008 are protected so they are no worse off
  - **NOTE** For members who employment is terminated on the grounds of permanent ill health but who are likely to be able to obtain gainful employment with a reasonable time period, it is proposed that employers will be provided with powers to pay a reviewable benefit from their revenue account (not Pension Fund) which would not continue if permanent employment was gained.
  - Employers will have to have a method in place for reviews to be carried out
- Death Grant of 3 times pay for deaths in service
- Death grant of 5 times pension if a deferred beneficiary
- Death Grant of 10 times pension less amount already paid if pensioner and dies before age 75
- Spouses pensions are to be based on 1/160<sup>th</sup>
- Civil partners and cohabitees also based on 1/160<sup>th</sup> but probably only for service post 5 April 1988
- Children's pensions based on number of dependant children and whether spouse's, civil partner's or cohabitee's pension payable