Transition: LGPS 1997 to LGPS 2008

The new LGPS starts on 1st April 2008 and all pensionable service built up after that point will be in the new scheme and on the basis of the new scheme's rules. Any pensionable service built up on or before 31st March 2008 is calculated on the basis of the old scheme, LGPS 1997 rules.

When you take your pension (either by retiring or transferring your benefits to another pension scheme), if you have service in both the 1997 Scheme and the 2008 Scheme, these will be calculated separately on the basis of your final pensionable pay at the point of taking your pension (or leaving service). The two amounts will then be added together to form your pension with the automatic lump sum from your 1997 Scheme service and any additional lump sum resulting from trading pension.

Service in the LGPS is and will continue to be counted in days so even if you retired on the 2nd April 2008 your pension benefit would be calculated in this way.

Example:

Tom retires aged 65 in 2017 with a total of 16 years' service. The first 7 years were under the 1997 Scheme rules and the second 9 years are in the new 2008 Scheme. On the basis of a final pensionable pay figure of £15,320 his pension benefits will be:

Pre 1st April 2008 service:
Pension [7/80*15320] = £1,340.50
Automatic Lump Sum [21/80*15320] = £4,021.50
Post 1st April 2008 service:
Pension [9/60*15320] = £2,298

So Tom's total LGPS pension benefit is £3,638.50 plus an automatic lump sum of £4,021.50.

Tom could increase the amount of benefit he takes as a lump sum to a maximum of £19,198 which would leave him with an annual pension of £2,373.80 (assuming he has no other pension savings).

Rule Of 85 Transitional Protections

For those members covered by transitional protection following the removal of the Rule of 85 from the old LGPS, retiring early will entail a slightly more complicated calculation of benefits.

The relevant members are those members of the old scheme at 30th September 2006 who, at the time of retiring are at least 60 years of age and reach a total of 85 or more when their age and length of service are added together. These members have different levels of protection depending on when they retire.

- If these members retire before 1st April 2016 then all their service will be protected and their pension will be paid unreduced.

- If these members retire between 1st April 2016 and 1st April 2020 all their service up to 1st April 2008 is paid unreduced. Pension built up between 1st April 2008 and retirement will be reduced for early payment but by less than the full reduction (which would be 24% for a man and 23% for a woman retiring at 60).

- If these members retire after 31st March 2020 then all their pension earned up to 1st April 2008 will be paid unreduced and all the pension earned on their service between 1st April 2008 and retirement will be reduced in line with the standard early retirement reduction factors (see the guide to early retirement for more details).

Examples:

Maria reaches age 62 on 1st April 2015 at which time she will have 23 years service. As she meets the Rule of 85 before 1st April 2016, her whole pension is protected and will not be reduced for early payment.

Her pension may be calculated in two parts, firstly that in respect of the current scheme and secondly in respect of the new scheme.

Current scheme pension based on her salary of £18,000pa is 1/80*16*18,000=£3,600pa. In addition a tax free lump sum of £10,800 is payable.

New scheme pension of 1/60*7*18,000=£2,100pa. No automatic lump sum is payable but Maria can give up some of this pension for lump sum.

Her total pension is £5,700pa with an automatic lump sum of £10,800 (which can be increased by trading pension).

Eric will reach age 60 on 1st April 2018 when he will have 30 years service. His pension built up before 1st April 2008 will be paid unreduced, whereas his pension built up after this date will be partially reduced. His salary on retirement is £30,000 pa.

The full level of reduction that would be applied to the post 1st April 2008 pension is 24%. However as Eric's retirement date falls halfway into the period when protection is tapered off, these reduction factors only apply to one half of his benefits built up after 1st April 2008. So this part of his pension is reduced by 12%.

His pension will be calculated in two parts, firstly that in respect of the current scheme and secondly in respect of the new scheme.

Current scheme pension based on his salary of £30,000pa is 1/80*20*30,000=£7,500pa. In addition a tax free lump sum of £22,500 is payable.

New scheme pension of 1/60*10*30,000=£5,000pa. This is reduced for early payment by 12% to give £4,400pa. No automatic lump sum is payable but Eric can give up some of this pension for lump sum.

His total pension is £11,900pa with a lump sum of £22,500 (which can be increased).

Melanie will reach age 63 on 1st April 2021 when she will have 22 years service. Her pension built up before 1st April 2008 will be paid unreduced, whereas her pension built up after this date will be fully reduced. Her salary on retirement is £31,000 pa. The full level of reduction that would be applied is 10% to the pension.

Her pension will be calculated in two parts, firstly that in respect of the current scheme and secondly in respect of the new scheme.

Current scheme pension based on her salary of £31,000pa is 1/80*9*31,000=£3,488pa. In addition a tax free lump sum of £10,463 is payable.

New scheme pension of 1/60*13*31,000=£6,717pa. This is reduced for early payment by 10% to give £6,045pa. No automatic lump sum is payable but Melanie can give up some of this pension for lump sum.
Her total pension is £9,533pa with a lump sum of £10,463 (which can be increased).