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Being *Brilliant* at...

UNDERSTANDING PENSION SCHEME CHANGES

#SBM15

PENSIONS WORKSHOP

- Who am I?
 - An accountant
 - The director of a multi-academy trust
 - A “pensioner”
-
- Definitely not a personal financial adviser!

A SIMPLE GUIDE TO PENSIONS

IS IT POSSIBLE?

INFORMATION SOURCES

- The www
 - Teachers' pensions
 - Your local lgps – for me the wy pf
 - Gov.uk

NAMES

- STATE PENSION AGE
- NORMAL RETIREMENT AGE – different by scheme
- They will be different for years!
- You need to find out both of yours

WHAT IS YOUR NORMAL RETIREMENT AGE?

STATE PENSION AGE

DATE OF BIRTH	MALE	FEMALE
5 August 1950	65	60 + 3 months + 1 day
5 August 1953	65	63 + 11 months + 1 day
5 August 1955	66	66
5 August 1960	66 + 4 months	66 + 4 months
5 August 1961	67	67
5 August 1980	68	68
5 August 1990	?	?

TPS

- Protected
- Tapered
- Transition
- New

And confused?

TPS – “protected”

- In scheme prior to April 2012 and within 10 years of Normal Retirement Age
- You stay in the final salary scheme

TPS – “tapered”

- In scheme prior to April 2012 but are more than 10 but less than 13.5 years from Normal Retirement Age
- Stay in final salary scheme until your “transition date” then move to career average
- Note if born in Aug/Sept 60 you have already transitioned

TPS – “transition”

- If you are were more than 13.5 years away from your Normal Retirement Age in April 2012
- Earnings from April 2015 are deemed to be based on the career average arrangements
- Earnings prior to April 2015 will be deemed to be part of final salary scheme

TPS – “new”

- Joined tps on or after April 2015
- You are in career average arrangements

TPS - When can I retire

- Usually this is the Normal Pension Age (NPA), but you can go at 55 but with reduced benefits
- 55 will increase to 57 by 2028 then to 10 years below state pension age

TPS – Normal Retirement Age

- Often referred to as NRA
- Can be 60; 65 if joined scheme after Jan 2007; or if in career average scheme it is 65 or state pension age – whichever is the higher!

TPS – some key facts

- Career average scheme is based on 1/57ths old scheme was 1/60ths but you can elect to accrue on 1/55ths to 1/45ths
- You can have two phased retirements before taking final retirement
- Lump sums can be flexible - £1 pension equates to £12 lump sum – max and min apply

NOW THE HARD STUFF!

- THE LOCAL GOVERNMENT PENSION SCHEME

WHEN CAN YOU RETIRE FROM THE LGPS?

- Key Date – 2014 – this is when it changed
- Before 2014 aged 65 – some but not many and getting fewer each year could go at 60
- Post 2014 – normal retirement age – which equates to state pension age - but min of 65

WHEN CAN YOU RETIRE FROM THE LGPS?

- Can be made redundant at 55 and get earned benefits
- Can leave at 55 but likely to get less than earned benefits
- Can be “flexible” at 55 (reduce hours/grade) if employer agrees

WHEN CAN YOU RETIRE FROM THE LGPS?

- CARE – what is this?

It replaces the “final salary” scheme and

translates into - **Career Average**

Revalued Earnings

Your pension earned is revalued each year using the CPI

WHEN CAN YOU RETIRE FROM THE LGPS? Cont'd

- If in final salary and CARE benefits must be taken at the same time.
- The 85 year rule (remember simple!)
 - If over 60 with more than 25 years service
 - Below 60 but over 55 with enough service to reach 85 – but likely to get less
 - Read the small print – extra cut off dates around 31/3/2016 and 31/3/2020

THE LGPS – WHAT DO I GET?

	LGPS POST 2014	LGPS 2008
Basis of pension	Career Average Revalued Earnings (CARE)	Final Salary
How Much?	1/49 th of yearly pay	1/60 th of yearly pay
How is it calculated?	Annual pay index linked each year by CPI	Final Salary
What counts as pay?	Everything	Only contracted pay (not casual overtime)
When can I get it?	Moving to State Pension Age	65

THE LGPS – WHAT DO I GET?

	LGPS POST 2014	LGPS 2008
Can I reduce my contributions?	Yes – pay in 50% get out 50%	No
Can I trade in pension for a lump sum?	Yes - trade in £1 and get £12	Yes - trade in £1 and get £12
What death grant is paid if I die in service?	3 x pensionable pay	3 x pensionable pay
How long do I have to be in the scheme?	2 years	3 months
What happens if I retire because of ill health?	Enhancement to NPA, or 25% to NPA, or temp payment for 3 years	Enhancement to NPA, or 25% to NPA, or temp payment for 3 years

THE STATE PENSION SCHEME

- Do not forget this is changing as well!
- The state pension age is increasing
- The number of years you have to pay in has increased
- The amount you will get out should increase

What Next?

- We all have to pay in more and work longer