

# Protect Our Pensions LGPS campaign



## PENSIONS PROPOSALS

The Department for Communities and Local Government has launched the formal consultation on short-term changes to the Local Government Pension Scheme to make the £900 million 'savings' identified by Coalition ministers by 1 April 2015.

The consultation began on 7 October and will close 6 January 2012.

The consultation document includes 2 proposals by the Department for Communities and Local Government (CLG) **and** 1 proposal made by the Local Government Group (LGG).

When looking at the following information, please bear in mind the following facts about the Local Government Pension scheme:

- 50% of pensions paid are less than £3,000 a year
- The average pension paid is just over £4,000 a year
- The average pension paid to women is £2,600 a year
- These figures reflect low pay rates and part time working

### CLG'S PROPOSALS

The CLG's proposals are based on the following principles:

- No contribution increase for those earning less than £15,000 full time equivalent
- A total increase of 1.5% for those earning between £15,000 and £21,000 full time equivalent
- High earners to pay progressively more, but no more than an additional 6% before tax relief

## Proposal 1

- Increase employee contributions over three years in April 2012, April 2013 and in April 2014
- Change the accrual rate - currently 1/60 – to 1/64 in April 2013 and 1/65 in April 2014

### Contribution increases

The table below shows the proposed contributions before tax relief in 2012/13, 2013/4 and 2014/5.

Salary	Current	2012/13	2013/14	2014/15	Increase as % of salary	Increase as % of current rate
£0 - £12,900	5.5%	5.5%	5.5%	5.5%	0.0%	0.0%
£12,901- £15,100	5.8%	5.8%	5.8%	5.8%	0.0%	0.0%
£15,101- £19,400	5.9%	5.9%	6.0%	6.0%	0.1%	1.7%
£19,401- £21,000	6.5%	6.7%	7.2%	7.7%	1.2%	18.5%
£21,001- £32,400	6.5%	7.2%	8.0%	8.3%	1.8%	27.7%
£32,401- £43,300	6.8%	7.5%	8.3%	8.7%	1.9%	27.9%
£43,301- £60,000	7.2%	8.2%	8.7%	9.0%	1.8%	25%
£60,001- £81,100	7.2%	8.7%	9.2%	10.0%	2.8%	38.8%
£81,101- £100,000	7.5%	9.0%	9.8%	11.0%	3.5%	46.7%
£100,001- £150,000	7.5%	9.5%	11.0%	12.0%	4.5%	60%
£150,001 +	7.5%	10.0%	12.0%	12.5%	5.0%	66.7%

How much more will you pay? A few examples:

Salary	2011-12 rate	2011-12 cost	2014-15 rate	2014-15 cost	Difference in yearly cost
£14,700	5.8%	£853	5.8%	£853	£0
£20,000	6.5%	£1,300	7.7%	£1,540	£240
£42,000	6.8%	£2,856	8.7%	£3,654	£798

### Accrual rate reductions

The effect of changes in the accrual rate in 2013-14 and 2014-15 on pensions would depend on the length of service in the scheme.

How much will you lose? A few examples:

Salary	2011-12 rate	Pension after 30 yrs at 1/60th	2014-15 rate	Pension after 30 yrs at 1/65th	Difference in annual pension
£14,700	1/60th	£7,350	1/65th	£6,785	£565
£20,000	1/60th	£10,000	1/65th	£9,231	£769
£42,000	1/60th	£21,000	1/65th	£19,385	£1615

## Proposal 2

- Increase employee contributions over three years in April 2012, April 2013 and April 2014
- Change the accrual rate from 1/60 to 1/67 in April 2014

### Contribution increases

The table below shows the proposed new bandings and increase in contribution rates before tax relief in 2012/13, 2013/14 and 2014/15.

Salary	Current	2012/13	2013/14	2014/15	Increase as % of salary	Increase as % of current rate
£0 - £12,900	5.5%	5.5%	5.5%	5.5%	0.0%	0.0%
£12,901- £15,100	5.8%	5.8%	5.8%	5.8%	0.0%	0.0%
£15,101- £19,400	5.9%	5.9%	6.0%	6.0%	0.1%	1.7%
£19,401- £21,000	6.5%	6.5%	6.8%	6.8%	0.3%	4.6%
£21,001- £32,400	6.5%	6.8%	7.2%	7.5%	1.0%	15.3%
£32,401- £43,300	6.8%	7.1%	7.8%	8.2%	1.4%	20.6%
£43,301- £60,000	7.2%	7.8%	8.4%	8.8%	1.6%	22.2%
£60,001- £81,100	7.2%	8.7%	8.8%	9.5%	2.3%	31.9%
£81,101- £100,000	7.5%	9.0%	9.8%	10.5%	3.0%	40%
£100,001- £150,000	7.5%	9.3%	10.8%	11.5%	4.0%	53.3%
£150,001 +	7.5%	9.5%	11.8%	12.5%	5.0%	66.7%

How much more will you pay? A few examples:

Salary	2011-12 rate	2011-12 cost	2014-15 rate	2014-15 cost	Difference in yearly cost
£14,700	5.8%	£853	5.8%	£853	£0
£20,000	6.5%	£1,300	6.8%	£1,360	£60
£42,000	6.8%	£2,856	8.2%	£3,444	£588

### Accrual rate reductions

The effect of changes in the accrual rate in 2013-14 and 2014-15 on pensions would depend on the length of service in the scheme.

How much will you lose? A few examples:

Salary	2011-12 rate	Pension after 30 yrs at 1/60th	2014-15 rate	Pension after 30 yrs at 1/67th	Difference in annual pension
£14,700	1/60th	£7,350	1/67th	£6,582	£768
£20,000	1/60th	£10,000	1/67th	£8,955	£1045
£42,000	1/60th	£21,000	1/67th	£18,806	£2194

## LGG's PROPOSAL

The key elements of the LGG proposals are:

- Raising the retirement age to 66 from April 2014
- No increase in contribution rates for those with full time equivalent earnings below £15,000. Can reduce contributions for a worse accrual rate of 1/68<sup>th</sup>
- 1.5% increase for £15,-21,000 earners or take a worse accrual rate of 1/68<sup>th</sup>
- 2-2.5% increase in contributions for earners over £21,000 or take a worse accrual rate of 1/68<sup>th</sup>

### Contribution increases

How much more will you pay? A few examples:

Salary	2011-12 rate	2011-12 cost	2014-15 rate	2014-15 cost	Difference in yearly cost
£14,700	5.8%	£853	5.8%	£853	£0
£20,000	6.5%	£1,300	8%	£1,600	£300
£42,000	6.8%	£2,856	9.3%	£3,906	£1,050

### Accrual rate reductions

How much will you lose? A few examples:

Salary	2011-12 rate	Pension after 30 yrs at 1/60th	2014-15 rate	Pension after 30 yrs at 1/68th	Difference in annual pension
£14,700	1/60th	£7,350	1/68th	£6,485	£865
£20,000	1/60th	£10,000	1/68th	£8,824	£1,176
£42,000	1/60th	£21,000	1/68th	£18,529	£2,471

**And don't forget you'll have to work longer too...**