

Pension Pointers

Pension Pointers is a series of factsheets covering a range of topics to assist employers with the administration of the Local Government Pension Scheme in Berkshire.

CARE Pay



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Local Government
Pension Scheme

01628 796 668

info@berkshirerpensions.org.uk



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

What is CARE?

From 1 April 2014 the LGPS will still be a 'defined benefit' pension scheme (i.e. the way in which benefits are calculated will continue to be defined in legislation) but instead of benefits building up on a final salary basis they will build up on a **Career Average Re-valued Earnings (CARE)** basis.

This means that the pension earned each year is based on the actual pensionable pay received in each Scheme year (1 April to 31 March) instead of being based on the pay received at the point a Scheme member leaves or retires from the Scheme. The pension earned each year is added to a 'pension account' with an inflationary increase (currently CPI) being added each year so that it keeps its value from the point the pension is earned to the point from which it becomes payable.
Pension build-up (Accrual rate)

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Up until the 31 March 2008 an LGPS pension built up at the rate of **1/80th** of final pay for each year of Scheme membership. Attached to this was an automatic tax-free lump sum equal to three times the value of the annual pension.

From the 1 April 2008 an LGPS pension built up at a rate of **1/60th** of final pay for each year of Scheme membership with no automatic tax-free lump sum but with the opportunity to convert part of the annual pension into tax-free cash if the Scheme member so wished.

From 1 April 2014 the rate at which an LGPS pension build up changed again. There is still no automatic tax-free lump sum although the right to convert some annual pension into tax-free cash remains, but the rate at which the pension builds up is equal to **1/49th** of the actual pensionable pay received in each Scheme year.

This means that a Scheme member with local government service that backdates to before 1 April 2008 will have a pension based on 3 different methods of calculation. Some members will even have a fourth method of calculating their benefits where they elect to enter the 50/50 Section of the Scheme.

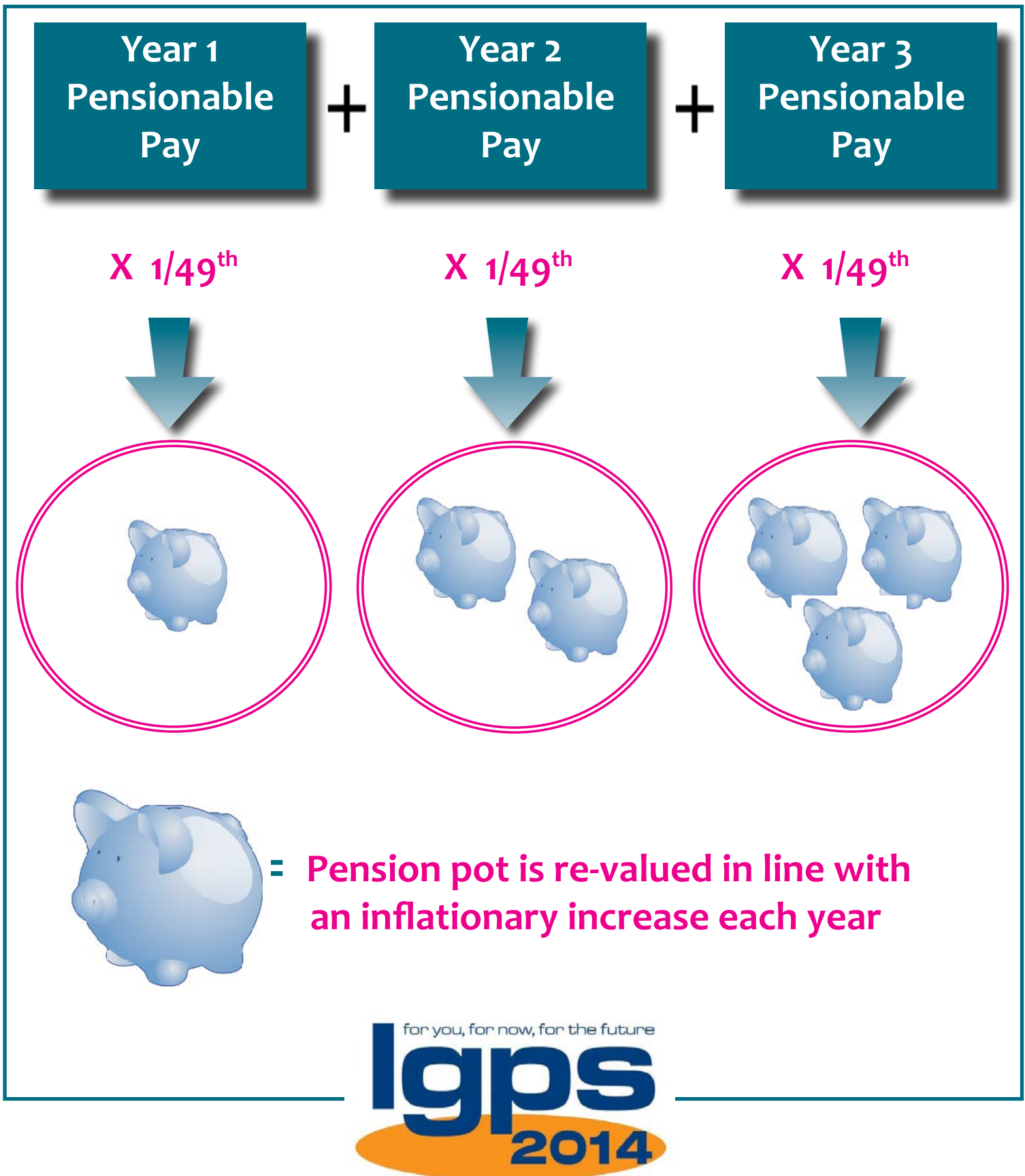
Membership from	Membership to	Pension Build up rate	Automatic lump sum
LGPS Start Date	31 March 2008	80 th of Final Pay	✓
1 April 2008	31 March 2014	60 th of Final Pay	X
1 April 2014	onwards	49 th of Actual Pay (MAIN Section)	X
1 April 2014	onwards	98 th of Actual pay (50/50 Section)	X

How does a CARE Scheme Work?

Under the CARE Scheme pension builds up based on the following formula:

$$\text{CARE} = \text{Actual Pensionable Pay} / 49$$

This is reflected in the diagram below:



CARE Scheme Example

A member earns **£24,500** in **2014/2015**. Their Normal Pension Age is **31 March 2019**. Based on the pension build up rate of $1/49^{\text{th}}$ their annual pension will be calculated as follows:

Year 1	Pensionable Pay received during 2014/2015:	£24,500
Year 2	Pensionable Pay received during 2015/2016:	£24,500
Year 3	Pensionable Pay received during 2016/2017:	£25,000
Year 4	Pensionable Pay received during 2017/2018:	£25,500
Year 5	Pensionable Pay received during 2018/2019:	£26,000

$$\mathbf{£24,500 / 49 = £500}$$

Assuming that inflation is 3% this annual pension amount for year 1 will be increased as follows:

$$\mathbf{£500 \times 1.03 = £515}$$

This pension will then be increased every subsequent year, assuming the increase to be 3% every year, as follows:

Year 2 (2015/2016)	
$£24,500 / 49 = £500 + £515 \times 1.03$	£1,045.45
Year 3 (2016/2017)	
$£25,000 / 49 = £510.20 + £1,045.45 \times 1.03$	£1,602.32
Year 4 (2017/2018)	
$£25,500 / 49 = £520.41 + £1,602.32 \times 1.03$	£2,186.41
Year 5 (2018/2019)	
$£26,000 / 49 = £530.61 + £2,186.41 \times 1.03$	£2,798.53
Total Post 1 April 2014 CARE Pension @ 31 March 2019	£2,798.53

In this scenario the member has built up a total annual CARE pension of **£2,798.53** for the period from **1 April 2014** to **31 March 2019**.

The CARE Pension will be added to any Final Salary pension that the member has built up in the Berkshire Pension Fund.

Completion of CARE Pay on LGS15C Leaver Notification

When completing Leaver form LGS15C we will require details of the CARE Pay that the member has earned over the last two scheme years of their pension membership up to the date that they leave their employment.

In the following example a member leaves their employment on 31 August 2019. Their CARE Pay from 1 April 2018 to 31 August 2019 is as follows:

Date From	Date To	CARE Pay received (CPP)	Annual Pensionable Pay
1 April 2018	31 March 2019	£28,000	£28,000
1 April 2019	31 August 2019	£11,875	£28,500

Their total pensionable pay earned from 1 April 2019 to 31 August 2019 is **£11,875.00**. This is then broken down in monthly values as follows:

Month	Salary Payment
April 2019	£2,000
May 2019	£2,750
June 2019	£2,375
July 2019	£2,375
August 2019	£2,375
TOTAL	£11,875

The member is in the MAIN Section of the LGPS. The above information would be updated onto the LGS15C Leaver Notification as follows:

CUMULATIVE PENSIONABLE PAY RECEIVED DURING PERIOD 1 APRIL 2018 TO 31 MARCH 2019 Please do not include APP figure here	£ 28,000
CUMULATIVE PENSIONABLE PAY RECEIVED DURING PERIOD 1 APRIL 2019 TO DATE OF LEAVING Please do not include APP figure here	£ 11,875

Please provide a monthly breakdown of pensionable pay from 1 April last to date of leaving. Please also confirm under which section the member contributed to each month (MAIN section or 50/50 section)

MONTH	MONTHLY £	MAIN	50/50		MONTHLY £	MAIN	50/50
APRIL	2,000	✓		OCTOBER			
MAY	2,750	✓		NOVEMBER			
JUNE	2,375	✓		DECEMBER			
JULY	2,375	✓		JANUARY			
AUGUST	2,375	✓		FEBRUARY			
SEPTEMBER				MARCH			

Glossary of Pension Terms

<i>Accrual Rate</i>	Rate of pension build up in the LGPS
<i>CARE</i>	Career Average Revalued Earnings
<i>CPI</i>	Consumer Prices Index
<i>CPP</i>	Cumulative Pensionable Pay
<i>Final Pay</i>	Average FTE salary over the last 365 days of employment used to calculate pre 1 April 2014 pension benefits under the Final Salary Pension Scheme.
<i>LGPS</i>	Local Government Pension Scheme
<i>LGS15C</i>	Leaver notification sent to the pensions team
<i>Pensionable Pay</i>	Elements of pay from which pension contributions are deducted



Contact Information

If you have any queries regarding CARE pay please contact us on **01628 796 668**. Alternatively you can e-mail info@berkshirepensions.org.uk

Where can I find out more?

Royal County of Berkshire Pension Fund Website:

www.berkshirepensions.org.uk

LGPS Regulations Berkshire Pension Fund Website:

www.lgpsregs.org

LGPS Payroll Guide to the 2014 Scheme:

<http://www.lgpsregs.org/index.php/guides/payroll-guide-to-the-2014-scheme>

LGPS HR Guide:

<http://www.lgpslibrary.org/assets/gas/ew/Pv3.9c.pdf>

National LGPS Member Website:

<https://www.lgpsmember.org>

