

What happened to the lump sum?

From 1 April 09 your pension benefit builds up at the rate of 1/60th with no automatic lump sum. However, you can **swap some annual pension and take it as a lump sum**. Remember the new 1/60th rate is slightly better than the old 1/80th plus 3/80th – you can see this in the comparison example below.

Changes to your forecast

Because you no longer get an automatic lump sum your age 65 lump sum figure in your annual benefit statement will remain what you had built up to 31 March 2009 - ie pension at 1/80th and lump sum at 3/80th - when the scheme changed.

In future forecasts we will also show you some of the options including the maximum lump sum you can take.

Comparisons

In the example below you will see a comparison of how pension and lump sum is built up under the old and new schemes.

We've used Anne to show the different options to help you understand the changes. Her final pay is £20,000 and she has membership of 20 years.

THIS IS AN EXAMPLE ONLY TO HELP YOU UNDERSTAND THE CHANGES

PENSION EARNED BEFORE 1 APRIL 2009 WILL REMAIN UNDER THE PRE 1 APRIL 2009 SCHEME AND BENEFITS WILL BE PAID AT 1/80th PLUS LUMP SUM.

<p>Pre 1 April 2009 Scheme</p> <ul style="list-style-type: none"> If all Anne's service was all under the old scheme Anne's benefits would be:- <ul style="list-style-type: none"> an annual pension of £5000 <p>How is this worked out? $20 \times 1/80th \times £20,000$ (ie - length of service - 20 years $\times 1/80th \times \text{final salary } £20,000$)</p> <ul style="list-style-type: none"> lump sum of £15,000 (20years $\times 3/80th \times £20,000$) 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: 60px; margin: 0 auto;">Annual Pension</div> <div style="width: 20px; height: 20px; background-color: #6699ff; margin: 10px auto;"></div> <p>£5,000</p> </div> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: 60px; margin: 0 auto;">Tax-free Lump Sum</div> <div style="width: 20px; height: 50px; background-color: #993366; margin: 10px auto;"></div> <p>£15,000</p> </div> </div>
<p>New Scheme from 1 April 2009</p> <ul style="list-style-type: none"> If all her service was in the new scheme Anne's benefits would be:- <ul style="list-style-type: none"> an annual pension of £6667 $20 \times 1/60th \times £20,000$ no lump sum 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: 60px; margin: 0 auto;">Annual Pension</div> <div style="width: 20px; height: 30px; background-color: #6699ff; margin: 10px auto;"></div> <p>£6,667</p> </div> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: 60px; margin: 0 auto;">NO Lump Sum</div> </div> </div>
<p>New Scheme - Maximum lump sum option</p> <ul style="list-style-type: none"> If Anne decided to keep to a pension of £5,000. She could give up £1667 of her pension £6,667 in exchange for a lump sum. Her benefits would be <ul style="list-style-type: none"> an annual pension of £5000 lump sum of <u>£20,004</u> 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: 60px; margin: 0 auto;">Annual Pension</div> <div style="width: 20px; height: 25px; background-color: #6699ff; margin: 10px auto;"></div> <p>£5,000</p> </div> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: 60px; margin: 0 auto;">Tax-free Lump Sum</div> <div style="width: 20px; height: 70px; background-color: #993366; margin: 10px auto;"></div> <p>£20,004</p> </div> </div>

Anne would therefore receive £5,004 more lump sum under the new scheme if all her membership was after 1 April 2009 than she would have under the old 1/80th scheme.

To summarise, any pension built up to 31st March 2009 is calculated at **1/80th** and you automatically receive a lump sum of three times your annual pension.

Pension built up from 1 April 2009 is calculated at the **better rate of 1/60th** and you have the option of taking an extra lump sum in exchange for some of your annual pension.

Future Annual Benefit Forecasts will include examples of lump sum swaps.