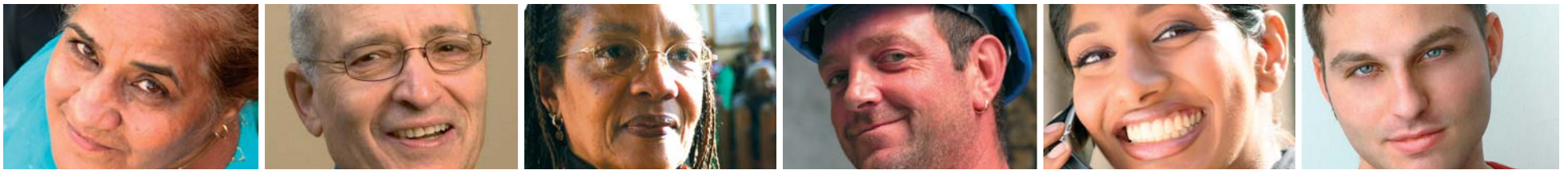




Local Government Pension Scheme

Draft Regulations have been issued that provide details of a 'new-look' LGPS from April 2008.



Final Salary Scheme

The LGPS will remain a final salary scheme with an improved pension 'accrual rate' of 1/60th (currently 1/80th). The 'tax-free' lump-sum payable at retirement will no longer be automatic. Members will be able to choose to convert part of their pension into tax-free cash at a rate of £1 of pension for £12 of lump-sum.

Contributions

Member contributions will be 'tiered' with members paying 5.5% on the first £12,000 of their full-time equivalent pay and 7.5% on the remainder over £12,000.

Contributions may be subject to a further change from April 2011 as a result of the introduction of a 'cost-sharing' arrangement.

Death Grant

Where a member dies in service the death grant payable to their nominated beneficiaries will be three times pay rather than the current two times pay.

Pay Used In Pension Calculation

Where it is more beneficial, members may choose to have their pension benefits calculated not on their **final** year's pay, but on the average of three consecutive years within their last ten.

Survivor's Pensions

Currently, survivor's pensions are only payable to a spouse or registered civil partner. From April 2008, they can also be paid to a nominated partner. Survivor's pensions will continue to be based on an accrual rate of 1/160th, but for nominated or registered civil partners, they will be based only on membership since 6 April 1988.

Ill-Health Benefits

Where members are medically certified as unable to perform their duties because of ill-health, the enhancements awarded will be tiered according to their ability to carry out other gainful employment before age 65.

Redundancy/Efficiency Retirements

Currently, members retired due to redundancy/efficiency are entitled to receive unreduced benefits provided they are aged 50 or over. From April 2008, employers will have discretion whether to pay immediate pension benefits and whether they are reduced on account of early payment.

Buying Extra Pension

From April 2008, there will be no new contracts for the purchase of additional Scheme membership. Members will instead have the option to pay additional contributions to purchase additional pension up to a maximum value of £5,000 per year.

Why a new-look Scheme?

The Government's objective, in light of increases to life expectancy and an ever-changing and diverse workforce, is to secure the Scheme's long-term existence for all existing and potential future members.

Will members need to do anything?

No. All members in the current Scheme as at 31 March 2008 will automatically become members of the new Scheme on 1 April 2008.

The timetable

Consultation is currently taking place with a deadline for comments of 28 February 2007. It is anticipated that the regulations will be in place by April 2007, with an effective date of 1 April 2008.

What will happen to the Scheme membership I already have?

Benefits earned up to 31 March 2008 for current scheme members, including those with protection for the rule of 85, will continue to be calculated based on 1/80th pension and 3/80th lump-sum, but calculated on final pay at retirement. Benefits earned from 1 April 2008 will be calculated on final pay at retirement on a 1/60th accrual rate. Further regulations are awaited on transitional arrangements.

Comments on these proposals can be sent to:

Nicola Rochester, Local Government and Firefighters' Pension Schemes Division, DCLG, Ashdown House, 123 Victoria Street, London SW1E 6DE by no later than 28 February 2007.

Please note: The above information is intended as general guidance only and is not a substitute for the regulations. Copies of draft regulations and further information on the proposed changes are available to view at the Fund's offices or online at: westmids-pensions.com