

# Have you heard?

WEST MIDLANDS



PENSION FUND

## THE LOCAL GOVERNMENT PENSION SCHEME IS CHANGING

### Information for Members/Potential Members

You may have seen in the press that the LGPS is going through some changes.

The LGPS still represents a quality final salary pension scheme, but needs to modernise to reflect today's workforce. It provides an excellent range of benefits, to which your employer pays a significant contribution. If you are not a member of the LGPS, ask your employer, or contact us direct for a booklet so that you can see for yourself the benefits that the Scheme could provide for you and your family. And remember, the LGPS is a benefit of working for your employer. If you elect to join, they will deal with all the administration on your behalf. The sooner you join, the bigger the benefits will be.

If you are currently contributing to the Scheme, this leaflet provides you with details of the recent changes to the LGPS.

**Mike Woodall**

Chief Pensions Officer.

# What are the changes?

## THE 85 YEAR RULE

LGPS Regulations removing the 85 year rule have now gone through Parliament. As you may have seen in the press, the 85 year rule has been the subject of debate for the last 12 months or so, with the Government removing the rule in April 2005, only for it to be reinstated. But the latest LGPS Regulation laid before Parliament will finally remove the 85 year rule from 1 October this year.

### What will this mean to LGPS members?

If you choose to retire before 65, then you will find yourself in one of these three groups:

1. **No change\***: if you joined at 45 or over, and don't have any other membership, then you were never going to pass the 85 year rule, and were going to face early retirement reductions anyway. So the changes won't affect you.
2. **Age protected group**: if you were born before 1 April 1953, and will pass the 85 year rule before 1 April 2013, and you retire by then, you are protected from the changes.
3. **Partially protected group\***: if you don't fall into the first two groups, then you will be partially protected. The value of any benefits built up before October 2006 won't be affected. But benefits built up from this date will be reduced if you draw them before 65.

### Discussions about protection for existing members are continuing.

*\* If you retire for some other reason, such as redundancy or ill-health, you will not be affected by the removal of the 85 year rule, as your pension will not be subject to reduction.*

## RETIREMENT PROVISIONS

- members drawing benefits on or after 6 April 2006 will be able to exchange some of their pension to receive a bigger lump-sum. For each £1 of annual pension surrendered, the member will receive a lump-sum of £12. Up to 25% of the capital value of the member's pension benefits can be taken in the form of a lump-sum;
- the ability for members to convert some or all of their Scheme lump-sum into additional LGPS pension has been removed;
- the maximum service limit of 40 years (for those who joined before 1 June

1989, 40 years at age 60 and 45 years at age 65) has been removed;

- the option to surrender part of your pension to increase a dependant's pension has been removed;
- the earliest age that benefits may be paid on the grounds of redundancy or efficiency, or at which an employer can agree to the early release of pension benefits, remains at age 50 (but will have to increase to 55 by 2010);
- children's pensions coming into payment after 5 April 2006 will have to cease by age 23 (for those that remain in full-time education or training);
- the facility for employers to reduce or waive the contributions of employees who have been in pensionable local government employment for at least 40 years is removed. Employees will, therefore, have to start to pay contributions where they have previously been waived;
- flexible retirement over age 50, linked to a reduction in hours or grade agreed by the employer. Employers will have to take a separate decision about the payment/release of benefits;
- members who leave and are entitled to immediate benefits cannot defer payment;
- where a deferred benefit comes into payment, the member may elect to further defer the payment up to the maximum age of 75 (benefits will be increased for late payment).

## CONTRIBUTIONS

- the contribution limit on employees' contributions has been removed as part of 'A' day and thus, up to 100% of taxable pay can be paid into the Scheme with full tax relief;
- the maximum period of added years that a Scheme member can, in the future, elect to purchase is  $6\frac{2}{3}$  years.

## OTHER CHANGES

- employees will be able to join and remain in the Scheme until the day before their 75th birthday;
- the additional membership an employer may, in future, grant to a scheme member is subject to a maximum of  $6\frac{2}{3}$  years;

- the earnings cap of £105,600 for those members who joined the LGPS on or after 1 June 1989 has been removed, and an adjustment will be made to take account of this change. Contributions are now due on all pensionable pay.

## STRIKE BREAKS

The rules concerning strike breaks and the LGPS remain unaltered. Following the return to work after a period of industrial action, you can elect to pay additional contributions of 16% to account for the period of absence. You should contact your employer for more details.

## COUNCILLORS

Eligible councillors are able to join and accrue membership of the Scheme up to age 75. Previously the limit was age 70. Eligible councillors can retire and receive benefits in full at age 65. Previously, benefits could only be received in full from age 70.

## CIVIL PARTNERSHIP ACT

The Civil Partnership Act became law in the UK on 18 November 2004, and came into force on 5 December 2005. As a consequence, same sex couples will be able to notify their intention to register their commitment to each other. Before a partnership can be registered, there has to be a 15-day waiting period. The Fund is currently updating literature to take account of civil partnerships along with the more recent changes. However, some literature has already been amended and an information sheet has been produced detailing the implications for members who have registered a civil partnership. This can be viewed online at the following address: <http://www.westmids-pensions.org.uk/pdfs/civilpartnerships.pdf>

Alternatively, it can be ordered via the Fund's helpdesk 0845 230 1665.

*This information is provided as a brief guide to the changes that are being introduced. For more information, you should contact your own pension officer, or the West Midlands Pension Fund direct. Our contact details are provided on the back of this leaflet. The majority of changes are effective from 6 April 2006, although some (the removal of the '85 year rule') come into effect from 1 October 2006.*



Call us on **0845 230 1665**

West Midlands Pension Fund, P.O. Box 3948, WOLVERHAMPTON, WV1 1XP

The Helpdesk lines are open during the following times:  
8:30am to 5.00pm  
Monday-Thursday  
8:30am to 4.30pm  
Friday



Fax:

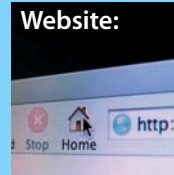
0845 230 1565



Text:

\* Text WMPF + your message to 60066

\*Standard short code network charges apply.



Website:

westmids-pensions.com

E-mail: PensionFundEnquiries@wolverhampton.gov.uk



## How do the changes affect AVCs?

A new pensions tax system for all pension schemes in the UK, including the LGPS, came into effect from 6 April 2006 (referred to as 'A' Day). It will replace the existing tax rules and regulations with a single set of rules for tax-privileged pension savings. In addition, it will give people greater choice and flexibility in when and how they save for their retirement.

### What are AVCs?

AVCs stand for Additional Voluntary Contributions. They're a really tax-efficient way to save for when you stop working. Say you want to put in £100. If you're a basic rate taxpayer, it only costs you £78 with the Government making up the rest. And if you pay a higher rate of tax, it costs even less. It's worth remembering that the income you draw from your pension will be taxed as earned income.

**From April 2006, you can now take up to 100%\* of your AVC fund as tax-free cash when you stop working, to spend as you want. For more information call Pension Connection on:**

**0845 607 0077** quoting reference: PAVCAG88

For more information on AVCs call the number above. Calls are charged at local rates and lines are open 8am to 9pm weekdays and 9am to 1pm on Saturdays. Calls may be monitored and recorded for training purposes.

\*Subject to overriding HMRC rules.

**PRUDENTIAL**