

This is the payslip insert text referred to in the final paragraph of the letter "Infolet 62"

Local Government Pension Scheme

Information about changes to the Scheme which take effect on 1 April 2005

The Local Government Pension Scheme (LGPS) is amended from time to time. The Local Government Pension Scheme (Amendment) (No 2) Regulations 2004 amend the Scheme with effect from 1.4.2005. This leaflet gives you a brief summary of the effect of the Amendment Regulations; it cannot override them. If you would like more detailed information, please contact your employer or the Pension Services Section of Staffordshire County Council (details are given at the end of these notes).

What are the changes?

All the changes relate to a single issue: retirement age. National statistics show people are living longer, pensions are being paid for longer and this increases the cost of providing pensions. To control costs, the public service pension schemes are having to raise their normal retirement age to reflect the increase in life expectancy. There must also be changes to the minimum age at which benefits can be paid, e.g. for redundancy or "efficiency" retirement.

What is normal retirement age?

Normal retirement age is the age at which you can receive payment of your accrued benefits in full on leaving employment. In the LGPS, for most members this has been, and will remain, age 65.

Before 1.4.2005 a member could choose to retire at age 60 or over (or earlier with the consent of the employer) but benefits would be reduced to reflect early payment unless the person had sufficient length of membership to avoid the reduction. From 1.4.2005 earlier retirement will still be permitted but a reduction will apply in all cases except for certain longer serving members who will be age 60 on or before 31.3.2013.

What is the optional minimum retirement age?

Currently if a person is –

- (a) aged between 60 and 65, he/she can request immediate payment of age retirement benefits;
- (b) aged between 50 and 60 he/she can request immediate payment but the employer's consent is required

From 1.4.2005 the terms of (a) will remain the same but for (b), the person must be aged between 55 and 60.

What reductions apply?

The reductions are based on guidance and factors issued by the Government Actuary's Department.

If benefits are paid at age 65 no reductions were applied under the pension rules as they stood before 1.4.2005 nor will they apply from that date.

For benefits paid before age 65, the rules before 1.4.2005 required a "Rule of 85" test to see if a reduction should apply. Under the Rule of 85 no reduction applies if a person's age in whole years at the date employment ends (or he/she elects for payment of benefits if later) plus total membership in whole years at the date employment ends (plus any period between that date and the date an election is made) equals 85 years or more. E.g. a person aged 60 leaves with 22 years' membership. The Rule of 85 is not met: $60 + 22 = 82$. Another is aged 60 with 26 years' membership. The Rule of 85 is met: $60 + 26 = 86$. From 1.4.2005 the Rule of 85 has been removed from the LGPS. Without the test, all age retirement benefits paid before 65 would be subject to reduction. However, those who were members before 1.4.2005 will have special protected rights.

What are the protected rights?

Any person who was a member before 1.4.2005, who elects to receive benefits before age 65, and who satisfies the former Rule of 85 will not have any reduction to benefits relating to the period of membership before 1.4.2005.

Any person who was a member before 1.4.2005, who elects to receive benefits before age 65, who satisfies the former Rule of 85, and who is aged 52 or over on 31 March 2005, will not have any reduction to benefits relating to the period of membership before 1.4.2013.

Even where the Rule of 85 would not have been met, the reduction to be applied to these members in respect of membership before 1.4.2005 or 1.4.2013 would be based on the date at which the Rule of 85 would have been satisfied if this would be earlier than the date at which the person attains age 65 (thereby allowing a lower reduction).

What if I choose to leave before age 60?

If you choose to leave before age 60 (and your employer does not give consent to immediate payment of your benefits) then you are entitled to "deferred" benefits", i.e. they will be held in the Fund until you attain age 65, or you request earlier payment, being age 60 or over. A person who joins the LGPS on or after 1.4.2005 would have a reduction to deferred benefits if they are paid before age 65 but a person who was a member before that date would have the protected rights illustrated above.

What if I leave on grounds of permanent ill-health?

Ill-health benefits can be paid at any age (as can deferred benefits paid early on health grounds). The amendments made to the LGPS on 1.4.2005 do not change this provision.

What if I leave on redundancy or efficiency grounds?

Before 1.4.2005 a person aged 50 or over, made redundant or required to leave on efficiency grounds, was entitled to immediate payment of benefits without reduction. With effect from 1.4.2005 immediate payment of benefits in these circumstances will normally only be permitted if the person has attained age 55. The benefits would still not be reduced.

There are protected rights for those who were members of the LGPS before 1 April 2005 and aged 50 or over but under age 55 on 31 March 2005. They may receive unreduced benefits if they retire on redundancy or efficiency grounds.

I am paying additional contributions to increase membership. Will I be affected by these changes?

No. if you elected to pay these contributions before 1 April 2005 you will still be required to make the payments until the age at which you would have first been eligible to retire at age 60 or over without a reduction to your benefits. Even if that date changes in line with the amendments, you will still cease paying contributions on the date originally agreed. Elections to pay additional contributions made on or after 1 April 2005, however, will cease at age 65.

Further information

If you contact your employer or Pension Services (see below) they can give you more detailed information about the changes.

The following leaflets are available:

- "The Local Government Pension Scheme (Amendment) (No2) Regulations 2004". This is an expanded version of these notes.
- "What effect will amendments made to the Scheme on 1 April 2005 have on your pension?" This contains flowcharts so that you can track the effect of the amendments on your own pension rights according to your age and length of membership.
- "Early payment of age retirement benefits". This explains how reductions are made if benefits are paid early, together with examples.

And for more information about the LGPS as a whole, there is a short guide to the Scheme available on request .

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IMPORTANT NOTICE

The changes outlined in this leaflet affect the pension expectation of many people. On 18 March 2005 the Deputy Prime Minister made the following statement:

"It is my clear intention to revoke at my earliest Parliamentary opportunity, subject to statutory consultation, the Local Government Pension Scheme (Amendment) (No.2) Regulations 2004 with retrospective effect: no Scheme members will be disadvantaged."

Draft revocation regulations were issued on 1 April 2005 and will have an 8-week consultation period. The guidance of the Office of the Deputy Prime Minister is that it is not possible for Local Government Pension Fund employers and administrators to anticipate the revocation. The legislation containing the amendments set out in this leaflet must be applied until any revocation is made.

Consequently, all benefits processed from 1 April 2005 will be in line with the amendments but will be recorded so that they can be reviewed should the Regulations be put back to their pre 1 April 2005 position or amended retrospectively in some other way.