



CHANGES TO LOCAL GOVERNMENT PENSION SCHEME FROM 1 APRIL 2008

We have received the first set of regulations, The Local Government Pension (Benefits, Membership and Contributions) Regulations 2007, detailing the changes to the Scheme from 1 April 2008. We should receive the second part, The Local Government Pension (Administration) Regulations 2007 by the end of May, too late for this newsletter. We are also awaiting draft Transitional Regulations dealing with the move from the old Scheme to the new.

I have listed below the main changes to the Scheme contained in the Benefits, Membership and Contributions Regulations. There is no more information available at present but further newsletters will follow and Briefing Sessions will be held in the autumn.

Contributions

From 1 April 2008 your contributions will be tiered according to the full equivalent rate of your pay on 1 April each year. Contributions will be paid at this rate for all pay you receive in the following year. The tiers are as follows

Full Time Equivalent Pay	Contribution Rate
£0-£12,000	5.5%
£12,001-£14,000	5.8%
£14,001-£18,000	5.9%
£18,001-£30,000	6.5%
£30,001-£40,000	6.8%
£40,001-£75,000	7.2%
More than £75,000	7.5%

The tiers will be increased by the rise in the Retail Price Index each year.

Calculation of Benefits

There will be no automatic lump sum for membership from 1 April 2008 and the pension will be based on $1/60^{\text{th}}$ of pay for each year of membership. At retirement you will have the option to convert pension to lump sum at the rate of 1:12. Benefits in respect of membership before 1 April 2008 will continue to be calculated as before, based on $1/80^{\text{th}}$ for pension and $3/80^{\text{th}}$ s for lump sum.

The pay used to calculate benefits is normally the full time equivalent rate of pay for the 12 months to your last day of employment. However if your pay has reduced because you have moved to a lower paid job, there is now provision for you to have your pay based on the average of 3 consecutive years in the last 10 years ending on 31 March. This does not apply if you have taken flexible retirement.

Power of employer to increase membership or award additional pension

The power of an employer to increase the membership of an active employer has not changed. In addition an employer can now award additional pension. These regulations are rarely used because there is a cost to the employer.

Purchase of Additional Pension by Member

The provisions allowing you to purchase additional membership will be removed from the regulations from 1 April 2008. If you would like to purchase membership by the payment of monthly contributions you need to contact us as soon as possible.

Under the new regulations there are provisions for you to purchase additional pension. This is by payment of additional monthly contributions. We are waiting for advice from the Government Actuary's Department about this.

The provision for the payment of additional voluntary contributions with Norwich Union continues as before.

Retirement

Normal retirement age is 65. We have been told that the protections following the removal of the 85-year rule will be carried forward to the new Scheme. If you do not have a protected right to receive unreduced benefits from age 60, you will still be able to retire age 60 or more but your benefits will be reduced.

Flexible retirement will be available as before, once you reach age 55. If you make a request before 31 March 2010 you need to be age 50 or over.

If you are made redundant or retired on the grounds of business efficiency, age 55 or more you will receive immediate payment of your benefits. If this occurs before 31 March 2010 you need to be age 50 or over.

If you have been a member of the Scheme for 2 years or more and an independent doctor certifies that you are permanently unfit to do your job you will receive immediate payment of benefits. If it is not likely that you will work again you will receive benefits based on potential membership to age 65. If it is likely that you will be able to work again before age 65 you will receive benefits based on your membership to the date of retirement plus 25% of your potential membership to age 65. There are protections for some older members.

Death Benefits

The death grant if you die whilst a member of the Scheme has been increased to 3 times your salary in your final year.

The provision for a short term pension for a surviving partner has been removed. A long term pension is payable based on 1/160th of pay for each year of membership (including membership that would have been awarded under ill health retirement). The pension is payable to a spouse, civil partner or nominated co-habiting partner. There are also children's pensions.

If you are retired and die within 10 years of retirement there is a death grant payable of 10 times your pension less the payments already made. The surviving partner's pension is 1/160th of pay, times the membership used in the calculation of your retirement benefits.

If you are a deferred pensioner and die before your benefits come into payment, the death grant payable is five times your pension. The surviving partner's pension is 1/160th of pay, times the membership used in the calculation of your deferred benefits.

A pension is payable in respect of a child whilst in full time education and under age 23.

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