



prime

Newsletter

for all our employees

Pensions and Retirement Income for our Members to Enjoy

Read all about it

Welcome to the first edition of **prime**. This newsletter is designed to keep you up-to-date with recent changes to regulations and legislation regarding the Local Government Pension Scheme (LGPS).

The perception of what retirement means has changed radically during the last 25 years. We used to see retirement as a rest from our working lives. We

now look upon it as a time where we can pursue activities we never had time to do before.

However, most of us are aware the government will not bear the

financial cost of supporting us in our retirement; it is up to us as individuals to prepare ourselves financially for life after work.

The Local Government Pension Scheme provides its members with a guaranteed annual pension and a tax free lump sum based on Total Membership and Final Pay. Your contribution towards this is 6% of your pensionable pay and your employer also contributes on your behalf.

We hope that our newsletter will provide further insight to the LGPS and also highlight what we do for you at Essex County Council Pensions Services.



Our Contact details:

Web: www.essexcc.gov.uk/pensionservices
 Email: pensionenquiries@essec.gov.uk



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Yesterday, Today and Tomorrow



The traditional way to learn more about the LGPS was to read the scheme guide, speak to your employer or to phone Pensions Services.

However, since the beginning of the year we felt that it was time for change, to catch up with the rest of the world and to utilise the technology accessible to everyone. Therefore, we have been researching, designing and implementing our new Pensions Website, Online Pensions and Document Imaging.

The website has been live since 1 August and we have received a lot of positive feedback, in particular around the ease by which LGPS information can be accessed and how the scheme benefits can be understood. The highly informative 'News' page has been keeping members informed of the latest changes and is reviewed on a daily basis.

But we don't want to stop there; we are currently working on developing 'Pensions Online'. This system will allow you to have direct access to your computerised records. Plus we are going to introduce a document imaging system next year so that all your communications can be recorded directly on your file as soon as they are received. We are also introducing a dedicated team to handle all of your telephone and email enquiries and requests.

How will managing my pension online work?

The security of your LGPS pension information is of the utmost importance. Therefore, to ensure that no one else can access your Pension records, we will issue you with a personal PIN number. Once you have logged into the system you will be able to view your personal LGPS information, such as your Total Membership or your earliest retirement date. We hope the system will go even further and allow you to send us forms online requesting estimates or informing us of any change to your personal details.

And if you have not already visited our website please use the link to the site on the front or back page.



For the latest news or proposals please visit the "news" page of our website.

HM Revenue and Customs (HMRC) and the Regulations

Over the last 2 years there have been several changes to the LGPS and this year there have been changes to the way pension schemes, pension contributions and pension income are treated by HMRC.

HMRC have introduced a new single tax regime called Tax Simplification which has allowed the LGPS to remove the limits on maximum contributions and Total Membership. It also allows members to increase their tax free lump sum on retirement.

Also, the LGPS regulations have been subject to amendment. Therefore, we have included the "Nuts and Bolts" of the scheme on the following page to give you a quick summary of your benefits. However, for detailed information about the regulations and Tax Simplification please visit our website or request a scheme guide from your employer.



The future for the LGPS looks very good and although it may change in the near future the government is committed to a scheme that meets your needs in today's society. The government is determined to maintain a good quality defined benefits funded scheme while ensuring it remains affordable, sustainable and acceptable to the tax payer. Indeed, they are already consulting with all employers to ensure this objective is met.

The 'Nuts and Bolts' of the LGPS

Why would I want to join the LGPS and pay 6% of my salary to something that is years away?

Retirement can be an expensive time, if you consider your life now it can roughly be divided into 8 hours at work, 8 hours not at work and 8 hours sleeping but when you retire you could have 16 hours a day to pursue anything you want to, but how will you pay for this?

The LGPS can form part of your retirement income to ensure your retirement is spent enjoying your new found freedom. Some of the main points of the scheme are:

- ✓ The LGPS is governed by statute, which means your pension is guaranteed regardless of the prevailing economic conditions at your retirement date.
- ✓ Currently a fixed 6% contribution rate.
- ✓ Tax relief on contributions.
- ✓ The LGPS is contracted out of the State Second Pension (S2P) therefore members pay reduced National Insurance contributions.
- ✓ At retirement you will receive a pension and tax free lump sum based on your Final Pay and Total Membership:



Example

Your Final pay is £20,000 Total Membership is 40 years the accrual rate is 1/80 per year

Pension: $\frac{40 \text{ years Total Membership} \times \text{£}20,000 \text{ Final Pay}}{80} = \text{£}10,000 \text{ per year}$

Lump Sum: $\frac{3 \times 40 \text{ years membership} \times \text{£}20,000 \text{ Final Pay}}{80} = \text{£}30,000$

- ✓ A normal retirement age of 65 for both men and women
- ✓ Voluntary retirement from age 60 to age 75
- ✓ If you die in service a death grant valued at twice your Final Pay will be paid to your beneficiaries or Estate.
- ✓ There is a provision for spouse's and civil partner's pension on your death
- ✓ Dependant children may also be entitled to a pension on your death.
- ✓ The opportunity to purchase added membership or to contribute monthly to an Additional Voluntary Contributions (AVC) Scheme.
- ✓ The potential to transfer previous pension rights into the LGPS within 12 months of joining.
- ✓ The potential to transfer your preserved benefits to another pension arrangement on leaving the LGPS.



When can I retire?

Depending on how you feel about retirement whether you see it as the opportunity for a rest, the opportunity to start a new hobby, or to start a whole new life, the LGPS is now more flexible to ensure your needs are met.

Normal Retirement Age of the scheme is 65. This is the age that you can receive your pension without suffering any reductions and this applies to both men and women. You have the option to voluntarily retire early at age 60 if you wish, but this will mean your pension is reduced. However, it may be possible for members, who joined before 1 October 2006, to voluntarily retire from age 60 without reduction to their pension if they satisfy the 85 Year Rule.

What is the 85 year rule?

The 85 year rule means that your benefits will not be reduced if your Total Membership and Age added together equal 85 (both in whole years). For example, if you retired at age 60 with 25 years

Total Membership your pension and lump sum would be paid unreduced.

Flexible Retirement

Since April 2006 a more flexible way to retire has been introduced. It may be possible to voluntarily retire from the age of 50 and receive your pension whilst continuing to work for your employer. To qualify for this flexible retirement you must receive your employers consent and reduce your working hours. However, your benefits will still be reduced if you do not satisfy the 85 year rule.

The LGPS allows membership of the scheme after age 65. However, HM Revenue and Customs insist benefits are paid, at the latest, the day before your 75th birthday even if you are still in employment. The benefits payable after age 65 may be actuarially increased to take into account the reduced number of years you will be receiving your pension.

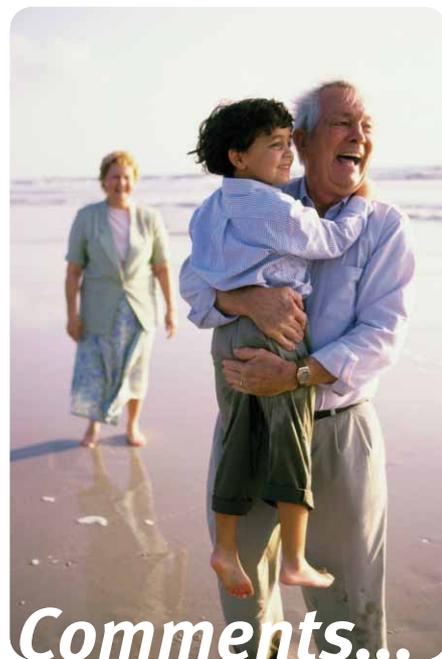
If you would like more information please visit our website or ask your employer for a scheme guide.



Contact Details

Web: www.essexcc.gov.uk/pensionservices
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lgps



Comments...

**Please give us
your opinions**

We welcome any suggestions or comments that you might have about any of the services we provide.

We would like your feedback about this newsletter, e.g. Have you found it useful? or if there is a particular aspect of the LGPS you would like us to cover in a future issue. If so, please email your comments to us and we will either answer your question immediately or if it is a common question we may focus on it in another newsletter. Our contact details are at the bottom of this page.



The Next Issue...

The next issue is planned for April 2007.

We hope that the main features of the next issue will be 'A Year of Tax Simplification', 'Pensions Online' and the Website. Plus updates on current scheme regulations, the latest news on the new 2008 Scheme and feedback from you and your employers.