



prime

Newsletter

for all our employees

Pensions and Retirement Income for our Members to Enjoy

Change for the better

Welcome to the spring/summer edition of **prime**. This issue focuses on the new look Local Government Pension Scheme (LGPS) that will replace the current scheme on 1 April 2008 and our planned roadshows this autumn.

From 1 April 2008 the existing LGPS will be replaced by a completely new scheme. However, the good news is the new look scheme will retain the tried, tested and trusted final salary basis meaning that the LGPS will continue to offer scheme members guaranteed benefits on retirement.

It is important to note all membership built up before April 2008 will be 'banked' and used to provide a pension and an automatic tax free lump sum on retirement using the existing 1/80th (pension) + 3/80th (lump

sum) formula and final pay at actual date of leaving or retiring.

Although the new scheme does not provide an automatic lump sum the overall accrual rate is better and there are also several other improvements over the current scheme. To help you understand the differences between the current scheme and the new scheme we have put together a table comparing the benefits of the two schemes which can be found on the following two pages of this newsletter.



At the moment we have only received one of the three sets of

regulations needed for the new look scheme and much of the detail has yet to be confirmed. However, we felt it was important to share our current understanding of the new scheme with you as early as possible.

We believe the communication of the new look scheme and its benefits is extremely important and we will be arranging a series of Roadshows. We intend to visit a number of locations across Essex this autumn and further details will be communicated to you via your employer once arrangements have been finalised.

At the Roadshows we will bring you the latest news about the new scheme, a frequently asked question sheet and, of course, we will be available to answer your questions.

For further information and news about the new scheme please visit the 'News' page on our website.

lgps



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Local Government Pension Scheme 2008

The new scheme regulations have now been laid before Parliament and will become effective in April 2008.

Current Scheme

Type of Scheme	Final Salary
Pension Accrual Rate	1/80th (equivalent to 1/64th taking lump sum into consideration)
Lump Sum	Automatic 3/80ths plus ability to increase up to 25% of value of benefits by commuting pension at a rate of £12 cash lump sum for every £1 pension given up
Normal Pension Age (Unreduced benefits payable)	65 (with transitional protections for some Rule of 85 qualifiers already in scheme before 1/10/2006)
Earliest Retirement Age (except ill health)	Currently 50 (55 from April 2010)
Pensionable Pay used in Pension Calculation	Best of; Final year's pay, best of last 3 years' pay (revalued) or Certificate of Protection pay
Survivor Benefits	Spouse/Civil Partner's Pension – 1/160th accrual
Children's Pensions	Maximum of 1/160th accrual
Death In Service	2 times final pay tax free lump sum
Ill Health	<p>Immediate benefits payable at any age for those members certified as permanently incapable of continuing their own or a comparable Local Government employment until age 65.</p> <p>Enhanced membership of up to 10 years (depending on age and length of accrued membership).</p>
Employee's Contributions	6% of Pensionable pay (5% for protected manual workers)
Death in Retirement Lump Sum	Pensions Guarantee: 5 years less pension already paid
Improving Benefits	Option to buy added years and/or pay in-house/free standing AVC's

Scheme from April 2008

Type of Scheme	Final Salary																
Pension Accrual Rate	1/60th																
Lump Sum	No automatic lump sum, but an option to commute up to 25% of pension at a rate of £12 cash lump sum for every £1 pension given up																
Normal Pension Age (Unreduced benefits payable)	65 (with transitional protections for some rule of 85 qualifiers already in scheme before 1/10/2006)																
Earliest Retirement Age (except ill health)	For existing members, currently from age 50, age 55 from April 2010. For new starters after 31/3/2008, age 55.																
Pensionable Pay used in Pension Calculation	Best of: final year's pay, best of the last 3 years pay or best 3 year consecutive average pay (revalued) in the last 10 years																
Survivor Benefits	Spouse/Civil partner/'Nominated' Dependent Partner's Pension – 1/160th accrual																
Children's Pensions	Maximum of 1/160th accrual																
Death In Service	3 times final pay tax free lump sum																
Ill Health	<p>To qualify for ill health benefits, members must be certified as permanently incapable of their current Local Government job. The level of benefits is dependent upon the ability to perform other 'gainful employment':</p> <p>Tier 1: Where a member is incapable of any other gainful employment before age 65, pension benefits are payable based on accrued rights plus 100% of their prospective membership to age 65.</p> <p>Where a member is capable of alternative gainful employment within a reasonable period, ill health benefits will not be payable from the pension scheme.</p> <p>Tier 2: Where a member is unlikely to be able to obtain gainful employment within a reasonable period of time but likely to be able to do so before age 65, pension benefits are payable based on accrued rights plus 25% of their prospective membership to age 65 (guarantee of old scheme entitlement if greater, for certain existing members at 1 April 2008, details to be confirmed)</p> <p>However, it is proposed that the employer will be given powers under separate discretionary compensation regulations to pay a benefit equivalent to the accrued pension earned until alternative employment is obtained.</p>																
Employee's Contributions	<table border="1"> <thead> <tr> <th>Pensionable Pay (p.a.)</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Less than £12,000</td> <td>5.5%</td> </tr> <tr> <td>£12,001 – £14,000</td> <td>5.8%</td> </tr> <tr> <td>£14,001 – £18,000</td> <td>5.9%</td> </tr> <tr> <td>£18,001 – £30,000</td> <td>6.5%</td> </tr> <tr> <td>£30,001 – £40,000</td> <td>6.8%</td> </tr> <tr> <td>£40,001 – £75,000</td> <td>7.2%</td> </tr> <tr> <td>More than £75,000</td> <td>7.5%</td> </tr> </tbody> </table> <p>(Increase to be phased in for protected manual workers)</p>	Pensionable Pay (p.a.)	Rate (%)	Less than £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%
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Death in Retirement Lump Sum	Pension Guarantee: 10 years less pension already paid																
Improving Benefits	Option to buy up to £5000 additional annual pension and/or pay in-house/free standing AVC's																

Pensions Services

Since the autumn issue there have been several changes and developments in Pensions Services.

Restructure

To reinforce and build upon our existing service to both members and scheme employers we have restructured the service.

Pensions Services now boasts 4 specialised teams to focus on specific areas of scheme administration. These teams are supported by the new Member Services Team which deals with all of your letter, e-mail and telephone enquiries.

As if that wasn't enough to be getting on with, we also introduced a document imaging system last November ahead of schedule. This means that we can now scan and image your letters and e-mails directly to your pension record and create the relevant work process, usually on the day of receipt!

Pensioner Payroll

Traditionally our pensioners have been paid by Employee Pay & Conditions (EP&C) at County Hall. However, from this autumn Pensions Services will be paying pensioners using a new pensioner payroll system which will be integrated with our existing pensions administration system.



Pensions Online

In our last issue we discussed the potential of 'Pensions Online' which will allow you to have direct access to your computerised pension record. Because we have had to divert a lot of resources into the pensioner payroll project, we have had to delay the introduction of Pensions Online. We are still fully committed to the introduction of Pensions Online and will be arranging for several scheme employers to trial the system. We will bring you updates as further information becomes available.

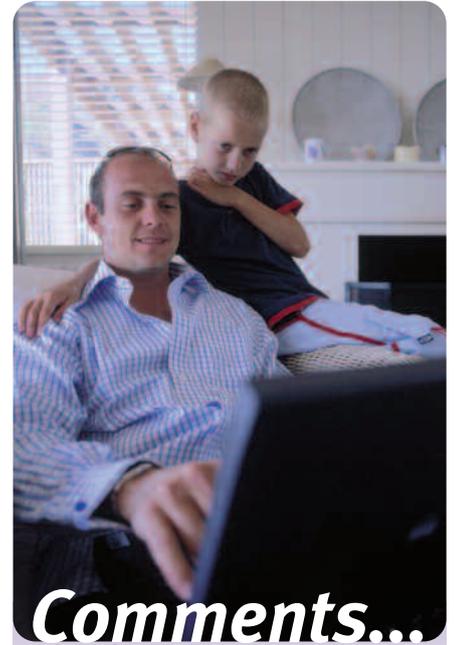
Financial Advice

Since the inception of the Member Services Team it has become apparent that many of our scheme members are asking us for financial advice regarding their overall pension position. However, Pensions Services staff are not registered to give financial advice.

If you do need financial advice then you should seek advice from a suitably qualified independent financial adviser.

HM Revenue and Customs

There have been no significant changes made by the HMRC. However, the lifetime allowance (LTA) has increased to £1.6 million for the 2007/08 tax year (up from £1.5 million in 2006/07).



Comments...

Please give us your opinions

We welcome any suggestions or comments that you may have about the service we provide.



We would also like your feedback on this newsletter, e.g. was it informative and easy to understand, was it easy to obtain a copy, did you receive a copy of issue 1, etc.

Roadshows

Details of the forthcoming Roadshows will be circulated via your employer once dates and venues have been finalised.



The Next Issue...

The next issue is planned for autumn/winter 2007.



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