

Rule Changes, ...Rule Changes, ...Changes...

The LGPS is being reviewed under a process called the Stocktake. Last year we told members that the following changes would be taking place from 1 April 2005:

- **Removal of 85 year rule** which allows members to retire early with their employer's permission without any reduction to their benefits, if their age and length of membership in full years adds up to 85 or more
- **An increase in the minimum retirement age** from 50 to 55 for redundancy and early retirement
- **Some protections** were proposed for older members

On the 18 March 2005, the Deputy Prime Minister announced that he would withdraw these changes at his earliest opportunity. As this had to be agreed by Parliament, there was not enough time to stop the changes taking place, so they still came into force on 1 April 2005.

On the 3 August 2005, the Deputy Prime Minister issued regulations that returned the LGPS back to its original position. He announced that he would bring about further changes to make sure that the LGPS remains solvent without additional cost to employers or to the Government. He stated that a consultation exercise would take place in time for these further changes to take effect from 1 April 2006.

A Tripartite Committee, made up of representatives from Employers, Trade Unions and the Government, is considering these further changes to the LGPS.

Looking ahead to a new look LGPS

The 1 April 2005 changes, which have been withdrawn, were aimed at protecting the future of the LGPS and paving the way towards a more radical review which would have seen a new look LGPS in place from 2008.

The Government had started a consultation exercise in October 2004 to consider changes such as more flexible retirement options and partner's pensions.

The timetable will need to be reconsidered now that the 1 April 2005 changes have been removed. The Tripartite Committee will consider the responses to the consultation exercise and discuss what measures need to be put in place to ensure the LGPS remains affordable.

We will continue to keep you informed about this matter.

Tax Simplification

The Inland Revenue, now known as Her Majesty's Revenue and Customs (HMRC), has set limits on the amount of contributions that members can pay and on the pension benefits that can be built up. The current limits are very complicated and are dependant on the date of joining the LGPS.

HMRC is introducing new limits through a process known as **Tax Simplification**. It is proposed that the following limits will apply to everyone from 6 April 2006:

- An initial life time pensions saving limit of £1.5 million
- An initial annual allowance of pensions saving growth of £215,000

New regulations must be in place before these limits can take effect within the LGPS. At the time of writing, the final regulations had not been produced but a consultation paper had proposed:

- The removal of restrictions on length of membership – this would allow all members to build up more than 40 years membership
- The removal of restrictions on contribution limits
- Flexible retirements – members could draw a pension without retiring completely
- Changes to the meaning of dependant child. This change would prohibit payment of pensions to children beyond the age of 23 who are in full time education. Dependency due to disability would be excluded from this change

Please note that the Pension Fund is unable to give financial advice. Please seek independent advice if you think these changes may affect you.

