

GOVERNMENT PROPOSED CHANGES FOR 2005



The Government is moving towards a standard retirement age of 65 across the public sector. So one of the changes being considered in this scheme is the **Removal of the Rule of 85 (proposed from April 2005).**

Currently if the total of an employee's age and length of membership (in full years) add up to 85 or more they can elect to retire early with their employers consent before age 65 without any reduction to their pension benefits. The Rule of 85! If this Rule is removed, the normal retirement age is 65 and employees will not be able to take unreduced benefits before 65.

It is proposed that there will be protection for individuals who reach age 60 and satisfy the current Rule of 85 before 1 April 2013.

However, protection will not be extended to everybody. Certain current members who will not reach age 60 by 1 April 2013 currently have an expectation to unreduced benefits at age 60 with 25 years membership. If a member chooses to retire voluntarily before age 65, even if they have accrued 25 years of membership, any membership accrued after 1 April 2005 will be reduced to reflect the early retirement. The

membership prior to 31 March 2005 will be protected at its full length.

This ruling only affects benefits where the employee makes the election for early payment.

Please remember, early retirement reductions only apply if you choose to retire. Whether the 85 rule is in place or not, there are no early retirement reductions if you retire because of ill health, you are made redundant, or your employer asks you to leave in the interest of efficiency.



Also the Government is planning to see people retiring later therefore they are proposing to **Increase the Minimum Retirement Age (proposed from April 2005).**

At the moment pension benefits are payable on retirement after age 50 in cases of redundancy or early retirement. It is proposed to increase the minimum age for payment of retirement benefits to age 55. It is proposed to include protection for employees who will already be age 50 as at 31 March 2005. This proposal will not affect ill health retirements as age restrictions do not apply.

Draft Regulations Only Draft Regulations Only

We hope you have enjoyed reading your newsletter. Please let us know if you have any suggestions for improvement.

LOCAL GOVERNMENT PENSION SCHEME

Pension Planning

lgps

Issued by Tyne and Wear Pension Fund

JULY 2004

Welcome to this special edition of "Pension Planning" – the newsletter for current members of the Tyne and Wear Pension Fund.

Don't worry – even though we have sent you this special edition of "Pension Planning", you will still get your normal newsletter with your Annual Benefit Statement in the Autumn.

Recently, the Local Government Pension Scheme (LGPS) has been under review (The Stocktake). This special edition sets out to explain some of the changes to your benefit package, which take effect during 2004, along with other changes, which are proposed for 2005.

LGPS IN BRIEF

Before looking at the changes to the LGPS, remind yourself of some of the advantages provided by the Scheme. If you would like more information, please contact the Pensions Office by using one of the means shown in the column to the right.

The LGPS is a good occupational pension scheme – your own occupational pension scheme with valuable extras at no extra cost.

- Your pension and lump sum are normally based on your last year's pensionable earnings and not the amount of contributions you have paid.
- Your National Insurance contributions are reduced because you are a member of the Pension Scheme.
- If you are liable to pay Income Tax the amount you pay is reduced because you are a member of the Pension Scheme.
- Your employer pays a significant contribution into the Pension Fund on your behalf and this amount is reviewed every 3 years.
- Your pension is guaranteed for life once it is in payment.
- Your pension increases every April to protect its value.
- There is a pension payable to your legal wife/husband in the event of your death.
- Life cover is included automatically.
- The Local Government Pension Scheme now has a national logo. Wherever you see this logo, you know you are getting all the protection of the benefits of the Local Government Pension Scheme.

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Moving House

Please remember to inform your employer of your new address

Special Needs

If you have any special needs and would like to receive information in an alternative way, please let us know. We have access to an interpretation service, audio aids and to documents in other formats, for example Braille, large print and electronic.

For further information regarding the LGPS, please contact us at:



The Pensions Office

Tyne and Wear Pension Fund
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Pensions Helpline

0191 4244141



Fax

0191 4244171



Email

pensions@twpf.info



Website

www.twpf.info

Please quote your **National Insurance Number** and your **Membership ID Number** so we can quickly trace your records.

CHANGES TO THE LOCAL GOVERNMENT PENSION SCHEME - 2004 CHANGES NOW IN PLACE

Please understand that the following notes are only intended as guidance and are provided for information purposes only. If you are in any doubt as to how they affect your own position you should seek more information from the Pension Fund.



Qualifying for Benefits under the LGPS (effective from 1 April 2004)

The minimum period of membership required to qualify for benefits is now only 3 months; previously this period was 2 years.

Broadly, this means that any member of the scheme with more than 3 months membership, or any member who has transferred membership in from another scheme, will no longer be able to claim a refund of contributions. When leaving the pension scheme, the member will automatically receive preserved benefits within the LGPS.

The main exception to this regulation is for employees who are members of the Pension Scheme prior to and on 31 March 2004. Such employees will still be able to claim a refund of contributions, if they wish to do so, provided they leave before reaching 2 years membership, unless they have transferred pension rights from another pension scheme, which prevents them from claiming a refund in any circumstances.



Transferring earlier LGPS service (effective from 1 April 2004)

Historically, it has been possible to transfer/combine different periods of LGPS membership without strict time-scales being observed. This will be the case no longer. Now, from the day an employee rejoins the LGPS or begins a new period of membership after a change in circumstances, for whatever reason, earlier membership can only be added to the current period of membership within the first 12 months. This restriction applies in all cases including situations where your employer has made changes to your employment. Your employer may agree to extend this period. However, if this is not the case and an extended time limit beyond 12 months is not available, the earlier membership will be treated as a separate pension benefit based upon the earlier length of accrued membership and

perhaps more importantly, the earlier pensionable earnings.

Have you got previous LGPS membership that you have not transferred? If yes, read on and take action now!

If you were already a member of the LGPS on the 1 April 2004 and have previous membership either with your current or another LGPS authority then you have until **31 March 2005** to request to combine your earlier membership with your current period of membership.

As a general guide, it will usually be in your interest to combine your earlier membership if your pensionable earnings in your current job are the same or higher than the pensionable earnings in your old job allowing for rises in the cost of living.

If, however, the pensionable earnings in your old post are higher than your current pensionable earnings and you do not believe it is likely to catch up, then it may be better to keep your preserved benefits separate.

If you are uncertain as to whether your current pensionable earnings have exceeded your pensionable earnings in your earlier post, taking into account rises in cost of living, then please contact the Pensions Office. We will check the position and advise you in due course. Please note that we expect to be very busy and we will respond to you as soon as we can. Or you can check your pensionable earnings on our website at www.twpf.info.

Are you a re-employed pensioner? If yes, read on and take action now!

If you are already receiving payment of an LGPS pension at the same time as contributing to the LGPS in a current post, then you need to act now if you wish to retain the right to combine your pension benefits.

Previously, you may have been informed that you had an option to choose between either:-

a) Separate pensions in respect of your

different employments, each based on the membership and pensionable earnings in that employment,

b) A single pension based on all of your membership and the pensionable earnings of your last employment.

The changes to the Regulations now change this – to remove the option to combine two periods of service after a period of re-employment. However, if you make a written election before **30 September 2004**, you can claim the right to retain this option for as long as you stay in your current post. Election forms are available on request from the Pensions Office and can be downloaded from our website www.twpf.info



Internal Disputes Resolution Procedure (IDRP) (effective from 1 June 2004)

In the past matters of disagreement or complaint have been considered at Pension Fund level and referred to the Office of the Deputy Prime Minister where an employee was not satisfied with the outcome. In future this two-stage process will be conducted, initially, by the employer and then by the Pension Fund. If you have already made a complaint before 1 June 2004, you will not be affected by this change.



Ill Health Retirement Clearer Guidance for Doctors

The definition of 'permanent ill health' has been amended to emphasise that the assessment is made on the balance of probabilities.



No Extra Years Second Time Round

Scheme members retired due to ill health cannot now be awarded a second period of enhanced membership on health grounds, if subsequently re-employed.



Membership Increased by Employers

An employing authority may now award a member additional membership at any time during their active membership of the scheme rather than only on joining or at retirement. Employers will formulate their own policy in relation to this discretion.



Annual Benefit Statements

It is now compulsory for each Pension Fund to issue Annual Benefit Statements to all active (and preserved) members. You will recall that where we hold a pensionable earnings figure we already provide you with an Annual Benefit Statement. Your employer provides pensionable earnings figures and we are working with all employers to ensure that correct pensionable earnings figures are supplied.



Removal of Ill Health Grant for Short Membership

Previously, if you had to leave the LGPS on permanent ill health grounds before you had 2 years membership, you would have been entitled to a refund of contributions or a short membership ill health grant.

The option for ill health grants has now been removed from the LGPS.

Now, if you have more than 3 months membership and an approved independent medical practitioner certifies that you should be retired on permanent ill health grounds you will be entitled to an immediate pension based only on the membership you have accrued.

Now turn over for some changes the Government is proposing for 2005