SURREY PENSION FUND
lgps

Surrey Pensions News

FEBRUARY 2008 ISSUE 6

Produced by Surrey County Council Pension Services

New look LGPS

Dear colleague

In our last newsletter we told you that the Government was proposing to change the Local Government Pension Scheme (LGPS). The changes to the scheme have now been agreed and will come into effect from 1 April 2008. Overall, the Government believes the changes will improve the benefits paid from the scheme.

This newsletter explains the main changes to the scheme. We hope you find the explanation useful. However, for those of you who would like more information, we have arranged a number of pension presentations, at various locations throughout the county, to explain the changes in more detail. You can find information on how to book a place at one of these presentations on page 6. For details of how to contact us, turn to page 8.

Joining the scheme

Under the current scheme, there is no minimum period an employee has to be employed before they can join the scheme. Under the new scheme, employees will only be able to become a member of the scheme if they have a contract of employment that is for three or more months.

Pension contributions

Currently, most scheme members pay contributions equal to 6% of their pay, with some ex-manual workers paying a lower rate of 5%. Under the new scheme, a member's pension contribution will depend on their annual pay. If the member does not work full-time, their contribution will be based on what their pay would be if they worked full-time (their full-time equivalent pay).

The Government believes this is a fairer way to meet the cost of the scheme and will encourage more lower-paid employees to join the scheme.

You will see from the table below that although some members will see their pension contribution reduce, most members will see an increase. The increase is necessary because of the extra cost of improvements to the scheme and because pensions are being paid for longer due to people generally living longer than before. The pay ranges below will be increased each year in line with increases in the retail price index (the rate of inflation).

Pay or full-time equivalent pay	Contribution rate
£0 to £12,000	5.5%
£12,000.01 to £14,000	5.8%
£14,000.01 to £18,000	5.9%
£18,000.01 to £30,000	6.5%
£30,000.01 to £40,000	6.8%
£40,000.01 to £75,000	7.2%
£75,000.01 or more	7.5%

Continued on page 2

Keeping you in touch with all the latest **Pension developments**

The increase in the contribution rate for ex-manual workers who are currently entitled to pay 5% will be phased in according to the table below. By April 2011 they will pay the appropriate rate under the table on the previous page.

1 April 2008 to 31 March 2009	5.25%
1 April 2009 to 31 March 2010	5.5%
1 April 2010 to 31 March 2011	6.5%

Members get tax relief on pension contributions. Your pension contributions are taken from your pay before the amount of tax you have to pay is worked out. This means that you pay less tax because you are a member of the scheme. So the more you pay in pension contributions, the less you pay in tax.

If, for example, your pension contributions increase by 0.5 % (from 6% to 6.5%), it does not mean that your pay will be reduced by 0.5%. As the basic rate of tax will be 20% from April, the effect your increased contributions will have on your pay will actually only be a reduction of 0.4% (0.5% of your pay less 20% of that amount). If you pay the higher-rate tax (40%) and your contribution increases by, say, 1.2% (from 6% to 7.2%), the actual reduction in pay will be 0.72% (1.2% of your pay less 40% of that amount).

As some members pay 5% and others pay 6%, the average contribution to the fund is currently 5.8%. Under the new scheme, this average is expected to increase to 6.3%. Your employer also makes a significant contribution to the fund on your behalf. Each employer pays a different rate according to the cost of providing the pension benefits for their particular employees. However, from April 2008 the average employer contribution for the whole fund will be 14.7%.

Pension benefits

The new scheme will continue to be a final salary pension scheme (that is, the pension you receive will be based on your scheme membership and average pay over the year before you retire). However, the rate at which your benefits build up (accrue) will be worked out differently for your membership from 1 April 2008. The rate your pension benefits build, and how they build up, for your membership up to 31 March 2008 will stay the same.

Under the current scheme, along with a pension you automatically receive a lump sum. The pension is worked out by multiplying the length of time you have been in the scheme by your final year's pensionable pay (the salary you pay contributions from) and then multiplying this amount by 1/80. In other words, for every year you have been a member of the scheme, you will receive one 80th of your final year's pay. You also receive a lump sum of three times your annual pension. This is worked out by multiplying the length of time you have been in the scheme by your final year's pensionable pay, and then multiplying this amount by 3/80. So for every year you have been in the scheme you will receive three 80ths of your final year's pay as a lump sum.

Under the new scheme your pension benefits will build up at an improved rate of one 60th of your final year's pensionable pay for every year you have been in the scheme since 1 April 2008, but you will not automatically receive a lump sum. You will still be able to take a lump sum, but you will have to give up part of your pension to provide one. For every £1 of pension you give up you will receive £12 of lump sum. The new scheme will allow you to take a larger lump sum than before (up to 25% of the value of your total pension benefits, including any from additional voluntary contributions (AVCs) you have paid). See page 5 for more details of benefits from AVCs. When you are due to take your benefits, we will give you full details of the maximum lump sum you can take.

When your benefits are due to be paid they will be worked out in two parts and then added together. One calculation will be done for your membership up to 31 March 2008, and the second for the membership from 1 April 2008.

The examples below and right show how the overall value of the benefits under the new scheme are greater than the benefits under the current scheme.

In both examples, it is assumed that the member has been in the scheme for eight years and will retire in 12 years time at age 65 after being in the scheme for 20 years and having a final year's pensionable pay of £24,000.

Example 1 shows what the benefits would have been if the current scheme had not changed. Example 2 shows what the benefits would be under the new scheme.

Example 1
(20 years under the current scheme)

Yearly pension $\frac{20 \text{ years}}{80} \times £24,000$

$= £6,000$

Lump sum $3 \times \frac{20 \text{ years}}{80} \times £24,000$

$= £18,000$

Example 2 (eight years under the current scheme and 12 years under the new scheme)

- Benefits from membership up to 31 March 2008 (eight years)

Yearly pension A	$\frac{8 \text{ years}}{80}$	x £24,000	=	£2,400
Lump sum A	$3 \times \frac{8 \text{ years}}{80}$	x £24,000	=	£7,200

- Benefits from membership since 1 April 2008 (12 years)

Yearly pension B	$\frac{12 \text{ years}}{60}$	x £24,000	=	£4,800

- Total benefits

Yearly pension A + Yearly pension B	£2,400 + £4,800	=	£7,200
Lump sum		=	£7,200

If the member wanted the same lump sum they would have received under the current scheme of £18,000, the difference of £10,800 (£18,000 – £7,200) would have to be provided by them giving up part of their pension. For every extra £12 of lump sum, the pension would be reduced by £1. So, to provide an extra £10,800 of lump sum, the yearly pension would have to be reduced by £900 (£10,800 ÷12). This would give the following total.

Yearly pension	(£7,200 – £900)	=	£6,300
Lump sum	(£7,200 + £10,800)	=	£18,000

As you can see from the examples, if the same lump sum was taken under the current and the new scheme, the yearly pension under the new scheme is higher than that under the current scheme.

Retirement age

The normal retirement age under the new scheme will continue to be age 65 and you can still retire between the age of 60 and 65 if you want to. If you do retire between 60 and 65, your pension benefits will normally be reduced, but scheme members who will be 60 by 31 March 2016 may be protected from these reductions. We gave details of these protections in our previous newsletter (issue 5), which you can find on our Pension Services website at www.surreycc.gov.uk/pensions.

The minimum age you can receive your pension benefits, with your employer's permission, will be increased from age 50 to age 55 (other than because of permanent ill health where there is no minimum age). However, this change will not take effect until 1 April 2010 for those who were in the scheme before 1 April 2008. For members who join the scheme after 1 April 2008, the 55 age limit will apply immediately.

Retiring because of ill health

When this newsletter was written the rules for retiring because of ill health under the new scheme were still not finalised. However, it is proposed that a two-tier ill-health retirement arrangement will replace the single-tier arrangement of the current scheme.

The current single-tier arrangement provides the same scale of benefits to everyone who is retired because of permanent ill health, regardless of how serious it is.

The proposed two-tier arrangement will aim to provide a greater level of benefits to those who are most in need.

To get pension benefits under the proposed two-tier arrangement, you must first be unable to work in your current role until you are 65. You must also have a reduced chance of 'obtaining gainful employment' (working for at least 30 hours a week for at least 12 months) before you are 65.

Under the first tier, if you have no reasonable chance of 'obtaining gainful employment' before you are 65, the period of your membership of the scheme will be increased to the period it would have been if you had stayed in the scheme until you were 65.

Under the second tier, if you are unlikely to be able to 'obtain gainful employment' within a reasonable amount of time but are likely to be able to before the age of 65, your existing scheme membership will be increased by 25% of the membership you would have if you'd worked until you were 65.

Increasing your pension

Under the current scheme, members can buy extra years of scheme membership (known as buying added years) by paying extra pension contributions. Under the new scheme, members can no longer buy added years, although members who are currently buying added years, or those who ask to buy them before 1 April 2008, will be able to do so.

The option to buy added years will be replaced by the right to buy up to £5000 a year of extra pension in blocks of £250.

The option to pay AVCs from Prudential will not change under the new scheme. The most you can pay will continue to be 50% of your pay. You can use your benefits from your AVCs to buy an annuity (pension) from the Prudential or another insurance company. You may also be able to take all or some of your benefits from AVCs as a lump sum, as long as the value of your AVCs (when added to the lump sum you receive from your main benefits) is not more than 25% of the overall value of the benefits you would receive from both the pension scheme and AVCs.

Lump sum paid if you die

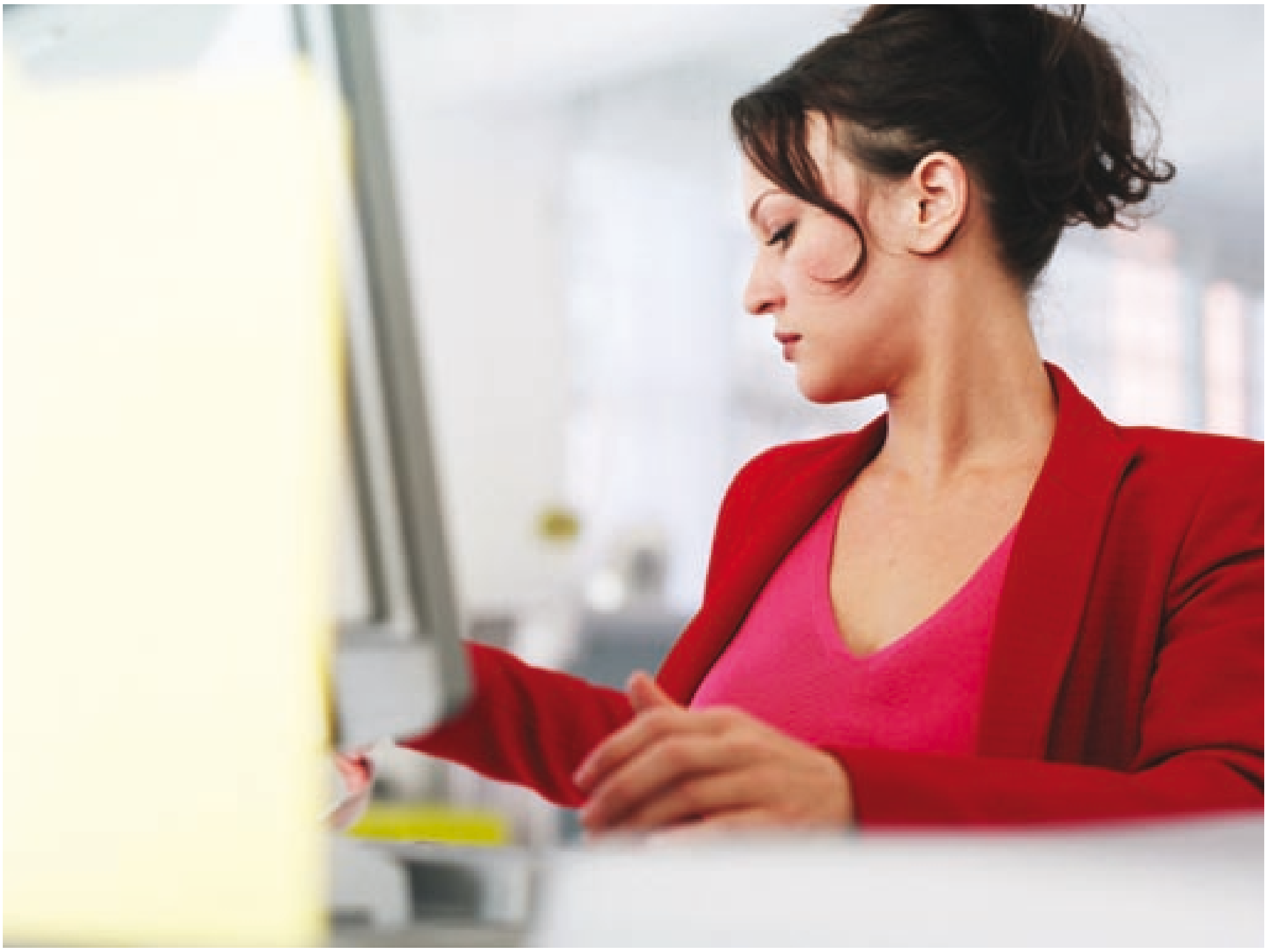
If a scheme member dies while working, the current scheme will pay a lump sum 'death grant' equal to two years' pensionable pay. Under the new scheme, this amount will increase to three years' pensionable pay.

If a retired member dies within five years of retiring, the current scheme will pay a lump-sum death grant of five years' pension less the pension payments they have received. Under the new scheme, if a retired member dies within 10 years of retiring and is under the age of 75 when they die, the scheme will pay a lump sum death grant of 10 years pension less the pension payments they have received.

Survivor's pensions

Under the current scheme, when a scheme member dies, the scheme can pay a 'survivor's pension' to the member's husband, wife or civil partner. (A civil partner is a same-sex partner the member has entered into a legal arrangement – a 'civil partnership' – with to give them the same legal rights as a married couple.) Under the new scheme, a survivor's pension can also be paid to a partner who is living with the member (as long as certain conditions are met) if the scheme member 'nominates' their partner.

To nominate a partner, you must fill in a nomination form. The Local Government Employers Organisation is currently working on producing a nomination form for all local authority pension funds. Although the form is not available at the moment, if you want to nominate a partner you can contact us to register your interest. We will send you a copy of the form when it is available.



Invitation to attend a presentation on the new look LGPS

We have arranged a number of presentations around the county to let employees know more about the changes covered in this newsletter.

The dates, times and venues of the presentations are shown on page 7. We have shown the name of the particular employer who is hosting the presentation, but all the employers have agreed to let employees of other organisations attend.

This means that you do not have to go to your own employer's presentation. You can go to any of the other presentations if there is a venue or date that is more convenient for you. You will of course need to check with your own employer that you have permission to go.

How to book a place

You can book a place at one of the presentations in any of the ways shown below. However you book, you must give us your e-mail address so we can confirm your booking and give you full details of the venue.

We will also e-mail you if the presentation has to be cancelled. If you do not have an e-mail address, we will write to your home address.

Booking by post or fax

Fill in the form on page 8 and return it to us by post or fax. (See the address and fax number on page 8.)

Booking by e-mail

You can e-mail **pensions@surreycc.gov.uk** and we will send you an e-mail to confirm your booking. You must include the following information in your e-mail.

- Your full name.
- The name of your employer.
- The date, time and venue of the presentation you want to go to, and two other choices of presentation in case your first choice is not available.

Booking by phone

You can phone us on 020 8541 7462. We will take your booking over the phone. Please give us an e-mail address so we can confirm your booking. Also give us two other choices of presentation in case your first choice is not available.

Please book your place as early as possible as places at each presentation are limited and booking will be on a first-come first-served basis.

Dates	**Early morning** (9.30am to 10.30am unless shown otherwise)	**Late morning** (11am to 12pm unless shown otherwise)	**Afternoon** (2pm to 3pm unless shown otherwise)
Mon 25 February	Elmbridge BC – Esher	Elmbridge BC – Esher	Elmbridge BC – Esher
Wed 27 February	Raven Housing Trust – Redhill		University of Surrey – Guildford
Thur 28 February	Mole Valley DC – Dorking	Mole Valley DC – Dorking	Mole Valley DC – Dorking
Fri 29 February		University of Surrey – Guildford 11.30am to 12.30pm	Guildford BC – Guildford 2.30pm to 3.30pm
Mon 3 March	SCC – County Hall	SCC – County Hall	SCC – County Hall
Tues 4 March	Probation – Staines	Probation – Staines	
Wed 5 March	Tandridge DC – Oxted	Tandridge DC – Oxted	Tandridge DC – Oxted
Thur 6 March	Brooklands College – Weybridge	Brooklands College – Weybridge	UCCA – Farnham Campus
Fri 7 March	SCC – Conquest House	SCC – Conquest House	SCC – Conquest House
Mon 10 March		NESCOT – Ewell	NESCOT – Ewell
Tues 11 March			UCCA – Rochester Campus
Wed 12 March	Woking BC – Woking	Woking BC – Woking	University of Surrey – Guildford 3.15pm to 4.15pm
Thur 13 March	Epsom & Ewell BC – Epsom	Epsom & Ewell BC – Epsom	UCCA Epsom Campus
Fri 14 March	Probation – Redhill	Probation – Redhill	Probation – Woking
Mon 17 March	Reigate & Banstead BC – Reigate	Reigate & Banstead BC – Reigate	
Tues 18 March	Epsom & Ewell BC – Epsom	Epsom & Ewell BC – Epsom	Epsom & Ewell BC – Epsom
Wed 19 March	Guildford BC – Guildford	Guildford BC – Guildford	Guildford BC – Guildford
Tue 1 April	SCC – A03 – Guildford	SCC – A03 – Guildford	SCC – A03 – Guildford
Wed 2 April	Spelthorne BC – Staines	Spelthorne BC – Staines	Surrey Heath BC – Camberley
Thur 3 April	SCC – Runnymede Centre – Addlestone – Main Hall	SCC – Runnymede Centre – Addlestone – Main Hall	SCC – Runnymede Centre – Addlestone – Main Hall
Fri 4 April	SCC – County Hall	SCC – County Hall	SCC – County Hall
Tues 22 April	SCC – Fairmount – Leatherhead	SCC – Fairmount – Leatherhead	
Thur 24 April		UCCA – Canterbury	UCCA – Maidstone
Thur 1 May	SCC – County Hall	SCC – County Hall	SCC – County Hall
Fri 2 May	Mole Valley DC – Dorking	Mole Valley DC – Dorking	Tandridge DC – Oxted
Wed 7 May			Surrey Heath BC – Camberley
Thur 8 May	SCC – A03 – Guildford	SCC – A03 – Guildford	SCC – A03 – Guildford
Fri 9 May	Guildford BC – Guildford	Guildford BC – Guildford	
Mon 12 May	Probation – Guildford	Probation – Guildford	Waverley BC – Godalming
Tues 13 May	SCC – Runnymede Centre – Addlestone – Room	SCC – Runnymede Centre – Addlestone – Room	SCC – Runnymede Centre – Addlestone – Room
Thur 15 May	Elmbridge BC – Esher	Elmbridge BC – Esher	Runnymede BC – Addlestone
Fri 16 May	Reigate & Banstead BC – Reigate	Reigate & Banstead BC – Reigate	Reigate & Banstead BC – Reigate

Booking form

Full Name: ______________________ Employer: ______________________

First choice: Date [ ] Time [ ] Venue [ ]

Second choice: Date [ ] Time [ ] Venue [ ]

Third choice: Date [ ] Time [ ] Venue [ ]

E-mail address: ______________________

Daytime phone number: ______________________

Home address (if you have not given an e-mail address): ______________________

Post or fax this form to us.

Address: Pension Services
Room G59, County Hall
Kingston Upon Thames
KT1 2EB

Fax: 020 8541 9287

Please see page 6 for instructions on how to book a place by e-mail or by phone.

How to contact us

You can contact us in any of the following ways.

In writing: Pension Services
Surrey County Council
County Hall
Penrhyn Road
Kingston upon Thames
Surrey
KT1 2EB

By phone: **020 8541 9292 or 020 8541 9289**

By e-mail: **pensions@surreycc.gov.uk**

By fax: **020 8541 9287**

You can visit our office at any time between 8.00am and 4.30pm. You can also arrange an appointment with a member of staff.

You can visit our website at **www.surreycc.gov.uk/pensions**

If you would like a copy of this newsletter in large print or on tape, please contact us.

SURREY COUNTY COUNCIL

INVESTOR IN PEOPLE

Crystal Mark 10099