SURREY PENSION FUND
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Surrey Pensions News

NOVEMBER 2005 ISSUE 4

Dear colleague

We hope that you find this newsletter useful and interesting. If you have any suggestions or comments about the newsletter, or if you want any more information, please turn to page 4 for details of how to contact us.

The 85-year rule

In our last newsletter, we told you that the 85-year rule was going to be removed from the Local Government Pension Scheme (LGPS) in April 2005.

You will remember that we explained the 85-year rule in some detail and how scheme members would be affected by it being removed from the LGPS. You can view a copy of the newsletter on our pensions website at www.surreycc.gov.uk/pensions.

In the previous newsletter we explained that the 85-year rule allowed you to choose to retire and take your pension benefits between age 60 and 65 on an 'unreduced basis' if your age plus your pensionable service equalled 85 or more.

Removing the 85-year rule did not prevent you from retiring from age 60, it just meant that the part of your pension benefits that had built up from April 2005 would be reduced if you received them before your 65th birthday. The Office of the Deputy Prime Minister (ODPM) and employers had argued that the 85-year rule needed to be removed to stop the rising cost of maintaining the LGPS.

Following protests from trade unions and the threat of strike action, the Deputy Prime Minister announced that he was going to withdraw the regulations that had removed the 85-year rule. The amending regulations were introduced in August 2005 and put all scheme members back into the position they were in before the 85-year rule was removed.

The Deputy Prime Minister, the Employers Organisation and trade unions are now in talks to consider what changes need to be made to the scheme to make sure it remains affordable in the future. The ODPM also say that the 85-year rule must be removed to fall in line with age-discrimination law that will be introduced from October 2006. So, the 85-year rule is likely to be removed before October 2006.

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

New tax rules for pensions

New tax rules will be introduced in April 2006 that will affect the tax treatment of pensions. The changes aim to simplify the current tax arrangements and to introduce more flexibility.

Each pension scheme will have to decide how to change their scheme rules to fall in line with the new tax rules. Pension schemes will have to introduce some of the changes, while there will be some choice on others.

A consultation exercise is currently underway between local authority employers and the ODPM on how the LGPS should be changed. We will give you more information once the consultation exercise has been completed and the scheme changes have been agreed.

The main changes being discussed are as follows:

- The tax rules for working out the maximum pension benefits an individual can receive are extremely complicated. This is one reason that new tax rules are being introduced to replace the current limits, with what is known as a lifetime allowance. The lifetime allowance is the total amount of pension savings (from all sources) that an individual can have without having to pay extra tax charges. The lifetime allowance will increase each year, and will be £1.5 million for the tax year 2006/2007. It is only very high earners who are likely to be affected by the limits, or possibly those on lower pay who have large pension funds in other schemes. 'Transitional protection' will be available for members who will have already gone over the lifetime allowance when it is introduced. We will contact high earners who are directly affected at a later date.

- A limit will also be set on how much an individual's pension benefits (from all sources) can grow each year without extra tax charges. This limit is known as the annual allowance, which will increase each year and will start in 2006/2007 at £215,000. Again, only very high earners are likely to be affected by this limit.

- Generally, the maximum pensionable service a member can have in a pension scheme is 40 years (45 in the LGPS for those who joined before 17 March 1987). The new tax rules will allow pension schemes to remove these limits.

- Generally, the maximum pension contributions an individual can pay into occupational pension schemes like the LGPS is limited to 15% of their pay. The new tax rules will allow pension schemes to remove this limit so that maximum contributions in any tax year could be up to 100% of pay.

- The new tax rules will allow pension schemes to provide the option for their members to take a larger tax-free lump sum than under the current limits.

- Under the present tax rules, it is not possible to receive occupational pension benefits and continue working for the same employer. This restriction will be removed under the new tax rules. This will allow employers to introduce new flexible working arrangements. For example, it may be possible, with the permission of their employer, for a member to continue working for their employer on a 'reduced hours' basis and still receive all or possibly part of their pension.

- Under the present tax rules, members who joined an occupational pension scheme after 20 May 1999 cannot continue to be a member of the scheme if they continue working after age 65. This restriction will be removed so members can stay in the scheme if they work after age 65.

If you have any suggestions or comments about this newsletter, or if you want any more information, turn to page 4.

Minimum retirement age

The same regulations that removed the 85-year rule also increased the minimum retirement age for non-ill-health retirements from age 50 to 55. (Please note that you need your employer's permission to retire before age 60.)

The regulations that reinstated the 85-year rule also reinstated the minimum retirement age back to age 50. Indications are that the minimum retirement age is likely to remain at age 50 in the LGPS until the minimum retirement age in all other public-sector pension schemes is amended, which must be before April 2010.

Civil partnerships

From 5 December 2005, the Civil Partnership Act 2004 will allow same-sex partners to register a civil partnership with the registration service.

Same-sex couples that enter into a civil partnership will receive legal recognition of their relationship that will entitle them to many new rights, including the right to a survivor pension if their partner dies while a member of the LGPS.

Yearly pension benefit statements

We plan to send the yearly pension benefit statements to your employers by the end of this month. Unfortunately the benefit statements for Surrey County Council employees will be delayed.

As Surrey County Council employees will be aware, the county council has recently introduced the SAP Payroll and Human Resources Computer System, and we have not yet received the program that transfers the end-of-year information from the SAP payroll system to our pensions administration system.

The delay in producing the program means that the statements are unlikely to be produced before February 2006 at the earliest. We apologise for any inconvenience this will cause Surrey County Council's employees.

How to contact Pension Services

You can contact Pension Services in any of the following ways.

In writing:	Pension Services Surrey County Council PO Box 89 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 the office at any time between 8.00am and 4.30pm.You can also arrange an appointment with a member of staff.

You can visit the Pension Services' website at **www.surreycc.gov.uk/pensions**

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

SURREY COUNTY COUNCIL

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Crystal Mark Clarity approved by Plain English Campaign