

Dear Colleague

You may remember from our last newsletter in December 2003 that the Office of the Deputy Prime Minister (ODPM) had been carrying out a review of the Local Government Pension Scheme (LGPS). As part of this review, the ODPM had issued a number of discussion papers to employers, unions and other organisations. The papers asked for their views on how the scheme could be changed to make sure it is financially stable in the long term and meets the needs of the modern local government service and its employees.

As a result of the review, the ODPM has recently issued new regulations that make various changes to the scheme this year, and has also issued draft regulations for consultation that set out some changes it proposes to make in 2005. The ODPM has told us that it also proposes similar changes for other public-sector pension schemes. We have given a summary of these changes in this newsletter. You can get more information by visiting the ODPM website at www.xoq83.dial.pipex.com

The changes to the scheme mean that some members must make a decision on their previous local government pension rights. As a result, please read this newsletter carefully to make sure you are aware of the choices you may now have to make.

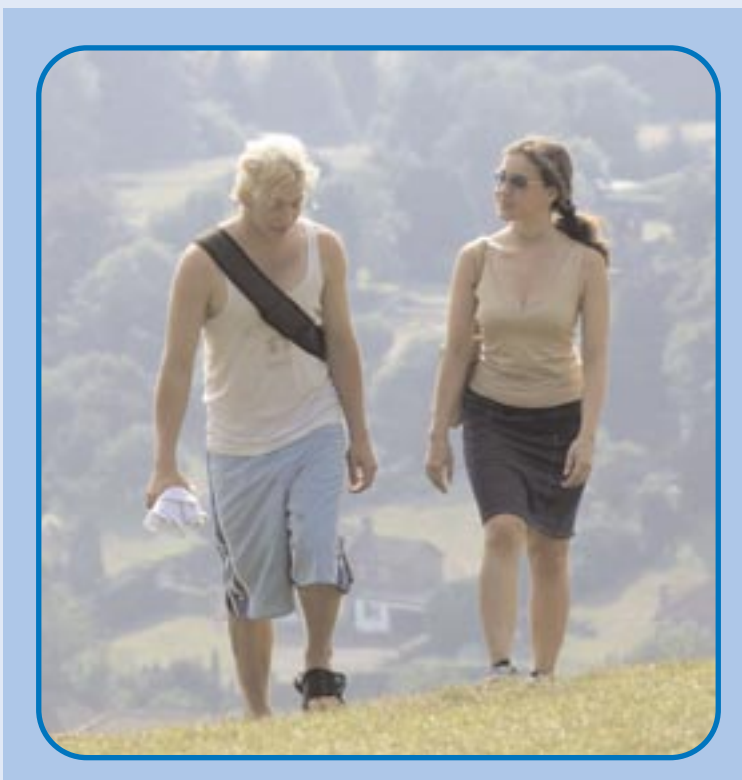
If you have any suggestions or comments about the newsletter, please contact Pension Services at the address on page 6 of the newsletter.

Scheme changes in 2004

Minimum period to qualify for pension benefits

Before 1 April 2004, a scheme member could only qualify for a pension entitlement if they had at least two years' scheme membership or had transferred their pension rights from another scheme. This meant that a member who left the scheme with less than two years' membership was only entitled to transfer their pension rights to another scheme, or to receive a refund of their pension contributions.

From 1 April 2004, members will no longer need to have two years' scheme membership to qualify for a pension entitlement. The qualifying period has been reduced to three months. This means that we



can pay a refund of pension contributions only to a member who leaves the scheme with less than three months' membership (and as long as they have not transferred in any pension rights). However, if you were a member of the scheme on 31 March 2004 and have more than three months' membership when you leave the scheme, you will continue to have the right to a refund, as long as you have less than two years' membership in total.

Ill-health retirement

- Before 1 April 2004, if a member was retired due to permanent ill health with between one and two years' scheme membership, they were not entitled to an immediate payment of pension benefits. Instead, we paid a lump-sum ill-health grant. As the new amendment above now gives a scheme member with three months' service the right to an immediate payment of pension benefits if they are retired due to permanent ill health, the arrangement to receive an ill-health grant has been removed from the scheme.
- When a member retires due to permanent ill health with five or more years' scheme membership, an extra period of membership is normally added to their membership to compensate them for having to retire early. This increase in membership is known as an ill-health enhancement. The scheme has been amended from 1 April 2004 to prevent a member who has been retired due to permanent ill health and who again becomes a member of the LGPS from receiving a second ill-health enhancement if he or she is also retired due to permanent ill health in their second employment.



Re-employed pensioner

Before 1 April 2004, a current scheme member who was receiving an LGPS pension for previous local government scheme membership had the option to combine the two periods of service and receive a single pension based on the pensionable pay from the second employment. This arrangement could result in a significant financial cost to the second fund, which was difficult to make arrangements for beforehand because the member did not choose whether or not to combine the two periods of membership until he or she retired. As a result, the regulations have changed to remove the option of combining the two periods of membership. However, re-employed pensioners (pensioners who have returned to work and rejoined the LGPS) who were paying pension contributions to the scheme on 31 March 2004 will



which a member had to decide whether or not to transfer previous scheme membership. This arrangement was out of step with non-local government pension scheme transfers where the member had to choose to transfer within 12 months of joining the scheme. The scheme has now been amended from 1 April 2004 so that a member has to decide to transfer previous local government pension scheme rights within 12 months of rejoining the scheme.

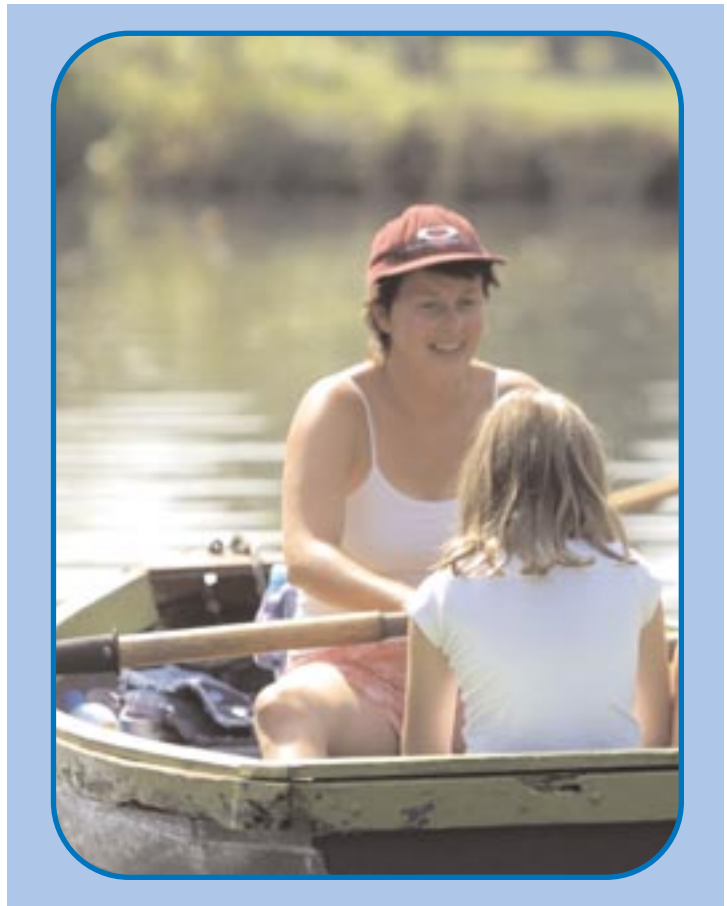
This amendment applies to all scheme members, not just those who joined the scheme on or after 1 April 2004. As a result, if you were a member of the scheme on 1 April 2004 and have not transferred your previous local government pension rights, you will have until 1 April 2005 to decide whether or not to do so. If we do not receive your request to transfer before this date, you will not have the right to transfer at a later date. If you joined the scheme after 1 April 2004, you will have 12 months from the date of joining the scheme to make a decision. Form 1 attached at the end of this newsletter provides information on some of the things you should consider when deciding whether or not to transfer. **You must return this option form to Pension Services before 1 April 2005.**



continue to be able to combine their two periods of membership if they decide in writing before 1 October 2004 that this change should not apply to them. Any re-employed pensioner who does not decide before 1 October 2004 will not have the right to do so at a later date. **You should return option form 2 at the end of this newsletter to Pension Services before 1 October 2004.**

Previous LGPS membership

If you leave an LGPS employer and join another LGPS employer, you must decide whether to join your previous scheme membership to your new scheme membership. This applies even if both employers are members of the same LGPS fund or if you have rejoined the same employer after having a break in service (other than for maternity leave). Before 1 April 2004, there was no time limit in



Proposed changes to the scheme in 2005

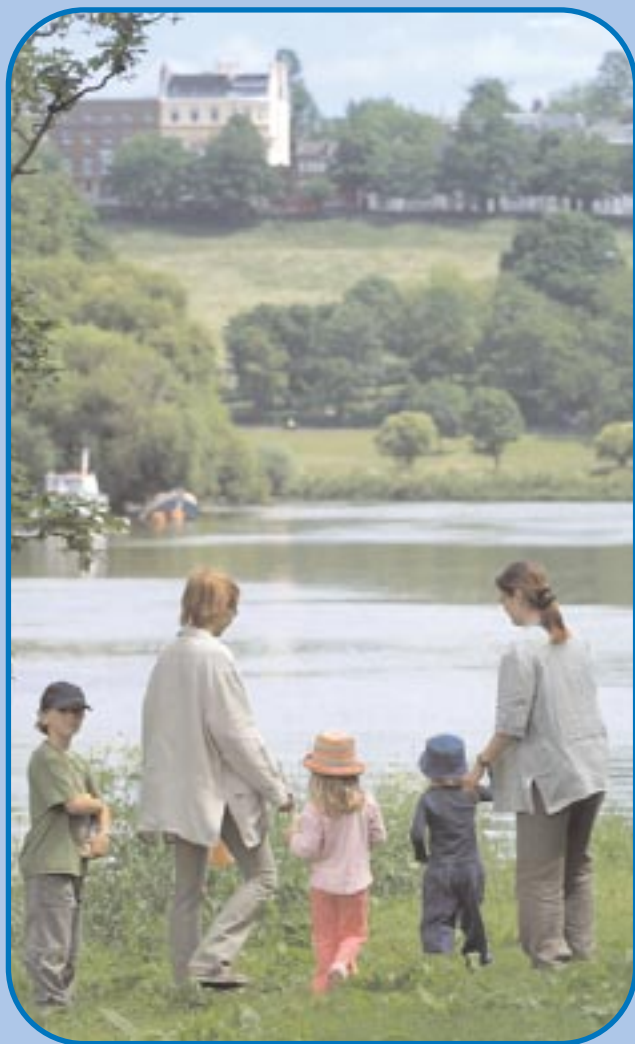
Increase in the minimum retirement age

The current minimum age that you can receive immediate payment of your pension benefits (other than due to permanent ill health) is 50. The draft regulations propose to amend the scheme so that the minimum age will be increased to age 55 from 1 April 2005. However, this amendment will not apply to you if you will be 50 or older on 31 March 2005.

Paying an unreduced pension before the age of 65

Currently, if you meet the '85-year rule', you can retire from the age of 60 with an unreduced pension. The 85-year rule is where the member's age and scheme membership in whole years is equal to or greater than 85. If you do not meet the 85-year rule, you can still retire from the age of 60, but your pension benefits would be reduced.

The draft regulations propose, from 1 April 2005, to remove the 85-year rule and so remove the right to receive an unreduced pension before the age of 65. However, the proposal is that only the part of your benefits that build up from 1 April 2005 will be



Internal dispute resolution procedure (IDRP)

You have the right to appeal against any decision that your employer or Surrey County Council (as the fund's administering authority) make, or fail to make, which affects your pension rights. The current IDRP has two stages. Before 1 June 2004, under the first stage, you could have appealed to the 'Appointed Person' appointed by the administering authority. If you were not satisfied with the Appointed Person's decision, you could have continued to the second stage and appealed to the Secretary of State.

The IDRP was amended from 1 June 2004 to remove the Secretary of State from the process. Instead, stage 1 of the appeal will be referred to the authority or employer who made, or failed to make, the decision you are appealing against. The administering authority will now deal with the second stage of the appeal.



reduced. This means that if you could have retired from the age of 60 with an unreduced pension because you met the 85-year rule, you will still be able to receive an unreduced pension for the part of your pension that has built up for your pensionable service up to 1 April 2005.

Only the part of your pension that has built up from 1 April 2005 will be reduced if you retire before the age of 65.

The ODPM has recognised that introducing this change to members relatively close to retirement would be unreasonable. Some members may have been planning to retire before the age of 65 on the assumption that they could receive an unreduced pension from the age of 60, and will not have the opportunity to make other adequate financial arrangements because they are so close to retirement. If you were a member of the scheme before 1 April 2005, and will be 60 or more and meet the 85-year rule on or before 31 March 2013, you will be protected and will continue to be able to receive an unreduced pension for your pensionable service up to 31 March 2013 if you retire at the age of 60 and meet the 85-year rule at this time.



Other possible changes to the scheme

The ODPM are not currently introducing the other possible changes that were discussed in the previous consultation exercise, such as increasing employees' pension contribution rates, reviewing ill-health retirements and introducing flexible retirement options. We will consult on them further later this year.



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 9289 or 020 8541 9292
By e-mail: pensions@surreycc.gov.uk
By fax: 020 8541 9287

You can visit the office at any time between 8am and 4.30pm. You can also arrange an appointment with a member of staff.

Other useful contacts

Questions about the State Pension

If you need any information about your State Pension, you can contact the Department for Work and Pensions by phoning them or visiting their website.

Phone: 0845 6060265 (general enquiries)

Phone: 0845 3000168 (pension forecast)

Website: www.thepensionservice.gov.uk

National LGPS website

As well as the pension scheme guides we can provide, there is also a national website at www.lgps.org.uk where you can get more information.

Surrey County Council Staff Retirement Association

If you would like information about the Staff Retirement Association, you can contact them by phoning them or writing to them at:

SRA

Room G82

County Hall

Kingston upon Thames

Surrey

KT1 2DN.

Phone: 020 8541 9830

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



INVESTOR IN PEOPLE

Form 1 - Members with periods of previous Local Government Pension Scheme membership that are not joined together

If you rejoined the Local Government Pension Scheme after 31 March 1998 with previous LGPS benefits, we would have told you that you could decide at any time to join together your previous scheme membership and your current period of membership.

Changes introduced to the LGPS from 1 April 2004 now set a time limit in which you must decide whether to join together previous periods of membership with current membership.

If you were an existing member as at 31 March 2004, you have until 31 March 2005 to decide whether to join together previous scheme membership, or to keep them separate and receive separate pensions when you retire. If you are a new member who rejoined the scheme after 31 March 2004, you must decide whether or not to join your membership together within 12 months of rejoining the scheme.

One of the factors we use to work out your pension benefits is the pay you earn during your final year of scheme membership (or one of the previous two years if this is higher). As a result, you will need to consider whether your final pay in your current employment is likely to be higher or lower than your final pay used to work out your pension benefits in your previous employment. When making this judgement you should remember that, to make a proper comparison, cost of living increases should be added to the pay used to work out your previous pension benefits to bring it up to today's value. If you work part time, we use the full-time value of pay to work out your pension benefits. You should also consider that if you do not join your previous membership to your current membership, you will not be able to use your previous membership to decide the earliest age you can retire with an unreduced pension.

For some members it will be clear that their pay in their current employment is higher than the pay used to work out their pension benefits in their previous employment, so they may feel that they can make a decision to join together their membership without more information. If this applies to you, please tick box (a) below and return the form to Pension Services. If you want more information before making a decision, please tick box (b) below. We will then give you a comparison of your current pay and the pay used to work out your previous pension benefits with cost of living increases added. If you are satisfied that it would not be in your best interests to join your membership together, please tick box (c). Once you have made a decision, you will not be able to change your mind at a later date.

Name: National Insurance number:

Address and postcode:
.....

E-mail: Phone number:

Previous local government membership

Employer: From: To:

Employer: From: To:

- (a) I want to join my membership together.
- (b) I would like more information on joining my membership together.
- (c) I do not want to join my membership together.

Your signature: Date:

Please return this form to Pension Services.

Form 2 - Re-employed Local Government Pension Scheme pensioners

If you are a current member of the LGPS and are receiving an LGPS pension (or would be if it had not been suspended when you became re-employed), and rejoined the LGPS before 1 April 2004, we would have told you that you could combine your pension from your previous LGPS membership with the pension from your current period of LGPS membership when you retire.

Changes introduced from 1 April 2004 have now removed the right to combine pensions. However, special protection applies to you if you rejoined the scheme before 1 April 2004. This means that you can continue to have the choice to combine your two pensions when you retire by asking, before 1 October 2004, that this scheme change should not apply to you.

Please tick the box below that applies to you.

- (a) I want to keep the choice to combine my benefits when I retire.
- (b) I do not want to keep the choice to combine my benefits when I retire.

Name: National Insurance number:

Address and postcode:

.....
.....

E-mail: Phone number:

Name of LGPS employer paying your pension and your period of membership

Employer: From: To:

Employer: From: To:

Your signature: Date:

Please return this form to Pension Services before 1 October 2004.