

Dear Colleague

This is the first issue of a pensions newsletter that we will be producing to tell scheme members and non-scheme members about pension issues that affect the Local Government Pension Scheme (LGPS).

We want to make sure that the newsletter is easy to understand. As a result, we have asked Plain English Campaign to help us produce it. We hope you find the newsletter useful and informative. If you have any suggestions or comments on its contents, please contact Pension Services at the address at the end of the newsletter.

Mike Taylor, Executive Director for Performance and Resources
Surrey County Council



● Future Changes to the Scheme ●

Surrey County Council runs the LGPS for all the local authorities in Surrey as well as some other employers in Surrey, such as Surrey Police, University of Surrey, various colleges, charitable organisations and private sector companies that carry out public services in Surrey.

Although Surrey County Council is responsible for running the scheme, the Government (through acts of parliament) makes the pension scheme rules under which the scheme must operate. The rules governing the LGPS are the Local Government Pension Scheme

Regulations 1997, and the government department responsible for making the regulations is the Office of the Deputy Prime Minister (ODPM).

Over the past two years, the ODPM has been carrying out

a review of the LGPS (known as a stocktake) to make sure that the LGPS is operating effectively and efficiently and that it continues to offer value for money. Following on from the stocktake, the ODPM agreed to issue a number of discussion papers to employers, unions and other interested organisations for their comments on how to deal with the improvements the ODPM felt were necessary. The ODPM has recently issued a letter in which it proposes a number of changes to the LGPS. The ODPM will formally consult employers and unions on the proposals. The proposed changes are intended to come into force in two stages.

The main proposed changes to come into force from April 2004 are to:

- abolish the right to a refund of contributions for members who leave or opt out of the scheme with less than two years' service, and instead pay a pension from their normal retirement age;
- require a regular review of ill-health retirement pensions; and
- amend the internal dispute resolution procedure so that a scheme member's employer would hear



the appeal and, if necessary, the authority that runs the pension scheme (for example Surrey County Council) would hear any further appeal.

The main proposed changes to come into force from April 2005 are to:

- remove the arrangement for new members to receive an unreduced pension before the age of 65 (the 85-year rule) and phase it out for existing members;
- increase the earliest age from which a pension can be paid, other than because of ill health, from age 50 to 55; and
- introduce flexible retirement options to help

scheme members stay in employment for a longer period.

The ODPM will also consider the recommendation made by several interested organisations during the stocktake consultation that, because people are living longer and the scheme offers a much wider range of benefits than when the 6% rate was originally set, scheme members should pay a higher contribution than the current rate of 6%.

You can get full details of the ODPM stocktake and proposals for changing the LGPS by visiting the ODPM website at

www.xoq83.dial.pipex.com

HAVE YOU MADE A NOMINATION

If a member of the LGPS dies in service, the pension fund will pay a lump-sum death grant of two years' pensionable pay. You can nominate (name) a beneficiary to receive the death grant by filling in a 'Nomination of beneficiary' form.

If you do not fill in a nomination form, the death grant would normally be paid to the personal representative of your estate. However, by filling in a nomination form, it should allow the death grant to be paid more quickly and avoid any possibility of having to pay inheritance tax on the death grant.

If you have already filled in a nomination form, it is important that you keep it up to date. You should also be aware that if you have previously nominated your husband or wife and you are now divorced, the nomination form is no longer valid so you should fill in a new form. If you want to make a nomination for the first time or want to change an existing nomination, please contact Pension Services for a form. You can contact us at the address at the end of the newsletter.



Photograph: Zac Macaulay

Councillors' Pensions

The LGPS has recently been amended to allow local-authority councillors to join the scheme.

To qualify for membership, councillors must be under the age of 70 and be recommended for membership by their council's Independent Remuneration Panel. The council then has to approve the panel's recommendation before the councillor is allowed to become a member.

As councillors' working patterns and pay are different from employee members of the scheme, councillors' pension benefits are also different in certain ways. For example, the normal retirement age for a councillor is 70, whereas the normal retirement age for employees is 65.

Also, pension benefits are based on a career average pay rather than the final year's pensionable pay used for employees.



Pension claims from part-time employees

Many of you will be aware that for some time now there has been an issue concerning the rights of part-time employees to join occupational pension schemes. In the past, many part-time employees were not able to join their employer's pension scheme because they worked part time. Following rulings by the European Court, the House of Lords and numerous employment tribunals, this highly complicated issue is close to being resolved. We expect arrangements to be in place by the end of the year for scheme employers to settle the claims of employees and ex-employees who have successfully appealed to an employment tribunal against not being able to join the scheme. As a condition of being granted backdated membership, employees will have to pay the appropriate pension contributions they have missed (plus interest) to the scheme.

Eligible current employees who have not made a claim to an employment tribunal will have to wait for the pension scheme regulations to be amended before they can backdate their membership. At the moment we don't know when this may be, but we will let you know as soon as the regulations are amended. In the meantime, if you think you may be eligible to backdate your membership, and you change your employer, you should lodge a claim with an employment tribunal within six months of leaving to protect your position.

As far as LGPS membership is concerned, we don't expect that we will be affected by the ruling as much as private-sector schemes, as we have offered membership for part-time employees for many years at different stages. Here are some examples.

European Courts of Justice, Strasbourg

From 1 April 1986

Part-time employees working 15 or more hours a week for at least 35 weeks of the year were allowed to join the scheme. On 17 September 1990, the scheme was amended to allow employees who joined the scheme before 1 April 1988 to buy back any previous service before 1 April 1986 that they worked at 15 or more hours a week.

From 1 January 1993

Part-time employees working less than 15 hours a week were allowed to join the scheme, as long as they worked at least 35 weeks of the year.

From 2 May 1995

All employees, no matter how many hours or weeks they worked, were allowed to join the scheme.



Membership information

As at 31 March 2003 the pension fund had 48,390 members, made up as follows.

Number of current employees in the fund	.21,780
Number of deferred pensioners12,786
Number of pensions being paid13,824

(Deferred pensioners are members who have left the scheme who are not yet entitled to receive their pension)

Do you want to join the scheme?

If you are not a member of the scheme and are interested in joining, please contact your Personnel Department or line manager for details. You should bear in mind that if you are not a member of the LGPS, you will not qualify for the wide range of benefits the scheme provides, such as:

- an index-linked pension paid for life;
- a tax-free lump sum;
- life assurance of two years' pay; and
- dependants' pensions.



Photograph: Zac Macaulay

• STOCK MARKET CRISIS •

Some of you may be concerned about reports in the press that because there has been a drop in the stock market, many pension funds have suffered large losses and members' pension benefits are at risk. Members of the LGPS should not be concerned about the security of their pension benefits. The LGPS is a final salary scheme, which means that the benefits paid are worked out using your length of pensionable service and pensionable pay when you retire or leave the scheme. The benefits are guaranteed and are not linked to the scheme's investment performance or the amount of money in the fund.

Some of you may also have been concerned about the growing trend of many employers to close their

final-salary schemes and replace them with personal pension schemes that provide benefits that are not guaranteed and are directly linked to the investment performance of the fund. You will be happy to know that the Government has

gone on record as saying that it has no plans to change the final-salary status of the LGPS.



How to contact Pension Services

You can contact us 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 our office at any time between 8am and 4.30pm. You can also arrange an appointment with a member of our 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 phone or by 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.

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



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