

Pension Update

DECEMBER 2012 | ISSUE 04



Welcome to the December 2012 newsletter from your Local Government Pension Scheme (LGPS) provider Shropshire County Pension Fund. This newsletter has been produced to keep you up to date on what is happening in the LGPS.

LGPS 2014 UPDATE

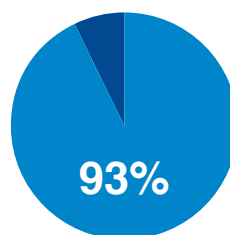
Consultations result in overwhelming support for new scheme proposals

Public Sector Pension Schemes have rarely been out of the news headlines recently with changes proposed, in the coming years, to all schemes. The proposals announced on the 31st May 2012 for the LGPS are moving forward and at a briefing given to Shropshire County Pension Fund, Head of Pensions at the LGA, Jeff Houston, commented that work was still continuing on scheme design and we should receive draft regulations later this year. We are planning on running information sessions for staff early in 2013, after the draft regulations are published. Watch this space for more information.

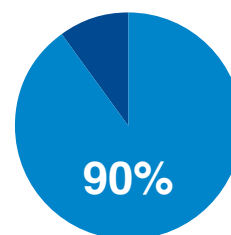
Over the summer consultations were undertaken by the Local Government Association (LGA) with Local Government Employers and the Unions UNISON, GMB and Unite. The responses overwhelmingly approved the proposals for a reformed LGPS published at the end of May. These consultations took place between the beginning of June and the end of August and included individual ballots for union members and a process enabling scheme employers to both express support (*or not*) and make comments on the proposals.

The consultations resulted in the proposals being supported by:

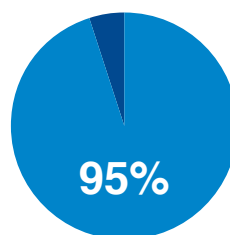
EMPLOYERS



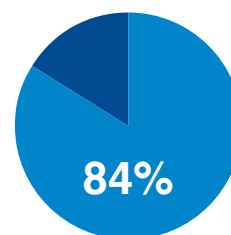
UNISON



GMB MEMBERS



UNITE MEMBERS



Support Other

Proposed Scheme Changes from April 2014

We sent you a newsletter in June this year which detailed the proposed changes to the LGPS from April 2014. To remind you of the proposed changes please see the table below:

Proposed 2014 scheme compared with current 2008 scheme

	LGPS 2014	LGPS 2008
Basis of Pension	Career Average Revalued Earnings (<i>CARE</i>)	Final Salary (<i>FS</i>)
Accrual Rate	1/49th	1/60th
Revaluation Rate	Consumer Price Index (<i>CPI</i>)	Based on final salary
Pensionable Pay	Pay including non-contractual overtime and additional hours for part time staff	Pay excluding non-contractual overtime and non-pensionable additional hours
Contribution Flexibility	Yes, members can pay 50% contributions for 50% of the pension benefit	No
Normal Pension Age	Equal to the individual member's State Pension Age (<i>minimum 65</i>)	65
Lump Sum Option	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x pensionable pay	3 x pensionable pay
Death in Service Survivor Benefits	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 - immediate payment with service enhanced to Normal Pension Age Tier 2 - immediate payment of pension with 25% service enhancement to Normal Pension age Tier 3 - temporary payment of pension for up to 3 years	Tier 1 - immediate payment with service enhanced to Normal Pension Age (<i>65</i>) Tier 2 - immediate payment of pension with 25% service enhancement to Normal Pension age (<i>65</i>) Tier 3 - temporary payment of pension for up to 3 years
Indexation of Pension in Payment	CPI	CPI (RPI for pre 2011 increases)
Qualifying Period for benefits	2 years	3 months



Regulation changes from the 1 October 2012

If you have nominated your partner to receive a co-habiting partners' pension this is only based on LGPS membership on or after 6 April 1988 unless you have previously opted to pay extra contributions to allow this service to count.

If you have already nominated your co-habiting partner and you have scheme membership before this date and have not opted to pay extra contributions to allow this service to be used, new regulations from 1 October 2012 have extended the option period for you to choose to buy additional survivor benefits.

To elect to pay additional contributions to have your pre 6 April 1988 membership included, you must make the election by 31 March 2013. You can nominate a partner at any time and will have the same option to increase the partner's pension value, but you must make the election within 12 months of making your first nomination. Please contact us if you want details of the cost.

REMINDER - Do you live with your partner?

Over four million couples live together in England and Wales and although they have gained legal protection in some areas, they and their families have significantly fewer rights than couples who are married, or who have formed a civil partnership.

Many couples living together think that because they are "common law" partners, they have the same rights as a married couple, but this is not the case. In fact, they have hardly any of the rights married couples and civil partners enjoy because there is no such thing as a common law marriage. So, if you are in a co-habiting partnership there are important steps you should take to protect your LGPS benefits and make sure that if anything happens to you, your family doesn't lose out on valuable financial benefits.

You can nominate your co-habiting partner, who can be the same or opposite sex, to receive a survivor's pension on your death as long as you have been living together (*as if you were husband and wife or civil partners*)

for a continuous period of two years on the date you both sign the nomination form.

To complete the form you and your partner must:

- Be free to marry or enter a civil partnership
- Not have been living with someone else as a married or civil partner
- Be financially inter dependent, or your partner must be financially dependent on you.

We can't pay a survivor's pension to your partner if you haven't nominated them to receive it. To download a nominated co-habiting partner form [click here](#) or call our helpdesk on 01743 252130 to request one. Complete this form and return it as soon as possible and make sure your partner would receive a pension if you die. The fact is that none of us know what the future holds, but by simply completing the nomination form you can rest assured that while you are a member of the LGPS your partner would benefit from you being a member of the scheme.

Definition of final pay

The definition of final pay, the pay figure that is used to calculate your benefits on leaving the scheme, has been amended. Pay from a previous local government scheme employer can be used if you have changed employers in the last 3 years of membership in the LGPS and elected to combine your service.

Changes to who can join the scheme

From 1st October 2012 employees with contracts of less than 3 months can now opt to join the scheme by completing an application form available from Pension Services. Your employer should have brought this to your attention if this affects you.

Changes affecting Flexible Retirement

The ability to only take a part of your accrued benefits from 2008 in the case of flexible retirement was introduced in 2008. The regulation changes from 1st October 2012 confirm what combinations of benefits can be taken.

- in the case of a member who has pre 1 April 2008 membership
 - all of the member's pre 1 April 2008 accrued benefits (*other than benefits already in payment or which are held as a separate deferred benefit*), and
 - all, some or none of the member's post 31 March 2008 accrued benefits (*other than benefits already in payment or which are held as a separate deferred benefit*), and
- in the case of a member who has only post 31 March 2008 membership
 - all, some or none of the member's post 31 March 2008 accrued benefits (*other than benefits already in payment or which are held as a separate deferred benefit*).

Employers must still give their permission for you to either reduce your working hours or the grade at which you work, and give permission for the flexible retirement benefits to be paid, in accordance with their written policy.

Tier 3 Ill-Health retirees

If your employer makes the decision to terminate your employment on the grounds of ill health they cannot make this decision without having first obtained a certificate from an independent registered medical practitioner (*IRMP*) qualified in occupational health medicine. It is also for them to decide whether to award 1st, 2nd or 3rd tier ill health retirement benefits.

The 3rd tier provides a temporary reviewable pension for you because you are permanently incapable of doing your current job but are judged capable of obtaining gainful employment within 3 years.

Pension benefits that cease via the ill health review or after three years in payment, would become a deferred pensioner benefit. You would have lost any '85 year rule' protections you had prior to your ill-health retirement. Following the regulation changes you now retain these '85 year rule' protections if you elect to receive your deferred pension benefits early. Under the regulation you can now apply for the deferred pension benefits to be released on ill health grounds.

The rule of 85 protections only applies to members who joined the LGPS before 1 October 2006 and their age and their membership would total 85 or more before age 65 and who are 60 before 1 April 2020.



New from October 2012 - Automatic enrolment

Many of you will have seen the recent publicity campaign with well-known names such as Karren Brady from *The Apprentice* and *Dragon's Den* star Theo Phaphitis saying "I'm in."

This is because the government is introducing new rules to make it easier for people to save for their retirement. It requires all employers (*public and private sector*) to enroll their workers into a qualifying workplace pension scheme if they are not already in one.

At present, many workers fail to take up valuable pension benefits because they do not make an application to join their employer's scheme. Automatic enrolment is meant to overcome this.

Who does this affect?

People who are:

- Still working
- Not already in a qualifying workplace pension scheme (*the LGPS counts as a qualifying scheme*)
- At least 22 years old
- Below state pension age
- Earn more than £8,105 a year
- Ordinarily work in the UK

Why is this happening?

Ministers are calling this "*the biggest shake-up in UK pensions for over 100 years*" and it is designed to encourage more people to save for their future retirement rather than rely solely on the State Pension.

The good news is that if you are reading this newsletter you are likely

to be a current member of the LGPS and are building a benefit therefore these changes won't affect you.

However, if you or your colleagues or family members work for an employer offering membership in the LGPS and they are currently not in the scheme then they don't have to wait for their employer to auto enrol them. Subject to being eligible to join the scheme anyone can elect to join the LGPS now.

Where do I get more information about the Local Government Pension Scheme?

More information about the provisions of the LGPS and how to join the pension scheme are available from your employer or, on our website: www.shropshirecountypensionfund.co.uk

How would you like Shropshire County Pension Fund to communicate with you?

The Fund publishes a Communications Policy each year. This describes how the Fund will meet its commitment to communicate information to all members using the most appropriate means.

The pressure to be more cost-efficient in our operation increases. Allowing you to access the information you require through a diverse range of communication methods enables us to monitor our costs and ensure value for money.

In future we would like to make more use of email updates sending invites

for events or to inform you of updates on our website. If you have an email address and would like to sign up to receive these alerts please email pensions@shropshire.gov.uk with the email address you would like us to use. The email address you provide will be only used for the purposes of sending you LGPS updates and will not be given to any third parties.

You can read a copy of the 2012 Communications Policy in full at: www.shropshirecountypensionfund.co.uk

Annual Meeting

The funds Annual meeting was held on the 6 November 2012, we had

over 200 people attend

all 3 meetings held in Telford and Shrewsbury.

A survey has been sent out to all attendees to gain feedback on how we can develop the meeting next year. The meeting was filmed and will be made available on the funds website www.shropshire-countypensionfund.co.uk along with the slides from the meeting.

Investment Performance

If you were unable to make the Annual Meeting you can view The Funds Annual Report for 2011/12 which covers Shropshire County Pension Funds accounts and investment performance.

Please click here to access the funds reports.

Recent News

The Chancellors Autumn Statement announcement on the 5 December 2012 delivered reductions in the limits for tax efficient pension savings. From 2014/15 tax year, there will be further reductions in both the Annual Allowance and Lifetime Allowance. The Annual Allowance from 2014/15 will fall from £50,000 to £40,000.

The carry forward calculations for the prior tax years will continue to be based on the old £50,000 limit.

A reduction in the Lifetime Allowance figure from £1.5m to £1.25m is also proposed however some transitional protection may be available.

No change was announced in the statement to the rules around tax free cash lump sums on retirement or tax relief on contributions.

Contact Us

If you can read this but know someone who cannot, please contact us on (01743) 252130 so we can provide this information in a more suitable format. If you wish to contact us on any issue in this newsletter or have a query regarding your pension, please contact Pension Services. Office hours are Monday to Thursday 8.30am to 5pm and Friday 8.30am to 4pm. If you would prefer to discuss your pension in person, you are welcome to come in and see us at the address below:

Pension Services

Shropshire Council, Guildhall, Frankwell,
Shrewsbury, SY3 8HQ

Email: pensions@shropshire.gov.uk

Web: www.shropshirecountypensionfund.co.uk

Tel: (01743) 252 130

Fax: (01743) 281 040

The Equitable Life Payment Scheme - update

The Equitable Life Payment Scheme completed its first year of operation on 30th June 2012. It was set up by HM Government to make payments to Equitable Life policyholders who suffered financial losses as a result of membership with Equitable Life. The Scheme is in the progress of contacting eligible policyholders who may be entitled to compensation.

The Equitable Life Payment Scheme will contact Shropshire County Pension Fund as a group policy holder to confirm the individual members within this group who are eligible to receive compensation. Not everyone is eligible to receive compensation. At the time of this update Shropshire County Pension Fund have not yet received this request from the payment scheme. When the request is received communication will then be direct to the individuals affected.

For an update from the Equitable Life Payment Scheme & a link to the details below.

Web: <http://equitablelifepaymentscheme.independent.gov.uk/index.htm>

Phone: 0300 0200 150

Overseas phone: +44 (0)141 232 1377

Calls are charged at UK national rates. Lines are open between 9am - 5.30pm Monday to Friday (except on bank holidays)

Alternatively you can write to:

Equitable Life Payment Scheme, PO Box 4110,
Glasgow, G58 1EL

Other useful contacts

Tax Office Tel: 0845 3000 627

Department for Work and Pensions

(State Pension Queries) Tel: 0845 6060 265

Pension Credit Tel: 0800 991234

Web: www.thepensionservice.gov.uk/pensioncredit