

WORCESTERSHIRE COUNTY COUNCIL PENSION FUND

PENSIONS NEWS

A newsletter for current members of the Local Government Pension Scheme (LGPS)

Autumn 2010

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NEWSFLASH

1. DO YOU HAVE PREVIOUS LGPS BENEFITS WHICH HAVE BEEN DEFERRED AND ARE KEPT SEPARATE FROM YOUR CURRENT MEMBERSHIP?

IF THE ANSWER IS 'YES' IT IS VERY IMPORTANT THAT YOU READ THE FOLLOWING SECTION.

The choices for members who leave the scheme and later rejoin, have been relaxed.

You can now aggregate any of your previous periods of membership providing you elect to do so within 12 months of becoming a member (although your employer may extend this period).

In addition, all current members will now have an opportunity until 1 October 2011 to make an election to combine any previous membership which you have either previously chosen not to, or not been able to combine before due to other restrictions in the regulations.

The new regulations will now allow you to combine any earlier periods of deferred membership.

This means that you have another opportunity to combine other previous benefits which you have either chosen not to do so previously, or have been unable to do so for any other reason.

THIS ELECTION TO COMBINE YOUR PREVIOUS MEMBERSHIP MUST BE MADE BEFORE 1 OCTOBER 2011.

Please sign and return the slip below if you have any separate deferred benefit rights in the LGPS only, which you wish to consider combining with your current scheme membership.



worcestershire
countycouncil

Transferring previous Local Government Pension Scheme benefits

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Please note that by completing this form you are only expressing an interest in combining. Your benefits will not be combined until you have been given further information and the opportunity to consider if it is in your best interests.

I am interested in combining my earlier period(s) of deferred membership with my current active scheme membership.

Previous LGPS Administering Authority:

Print Name..... NI Number.....

Signature..... Date.....

Please note that we expect to receive a high volume of enquiries regarding this matter and will endeavour to provide you with further information as quickly as possible. Your patience is appreciated.

THIS ELECTION TO COMBINE YOUR PREVIOUS MEMBERSHIP MUST BE MADE BEFORE 1 OCTOBER 2011.

Return completed form to the following address:

**Pensions Service
Financial Services
Worcestershire County Council
P O Box 374
County Hall
Spetchley Road
Worcester
WR5 2XF**

2. COHABITING PARTNERS

IF YOU HAVE NOT COMPLETED THE PAPERWORK WE CANNOT PAY THE PENSION

Since 1 April 2008 the LGPS regulations permit members to nominate a cohabiting partner of either the opposite or same sex to receive a survivor's pension in the event of the scheme member's death. Your partner must be someone you could legally marry or form a civil partnership with if you choose to do so. There are a number of conditions that you must satisfy before you can nominate, briefly these are;

- You must be living with your partner, in the same way a married couple or civil partners would live together.
- Your partner must be someone you could legally marry or form a civil partnership with.
- You must have been cohabiting with your partner for at least two years.

Why should I fill in the form?

If you do not complete this form then even if you meet all the conditions, your partner will not receive any pension, no matter how long you've been together should you die before they do.

For a form please click on:

www.worcestershire.gov.uk/cms/docs/Fi_Pen_Nominated_Partner_Form_Aug_09.doc .

What pension benefits could my partner receive if I die before they do?

If your nomination is accepted by the Worcestershire County Council Pension Fund and is still valid when you die your nominated partner would get a pension for the rest of their life based on 1/160th of your pensionable membership since 6 April 1988.

Do you have membership prior to 6 April 2008?

IF THE ANSWER IS 'YES' IT IS VERY IMPORTANT THAT YOU READ THE FOLLOWING SECTION

Amending regulations have been issued for members who have nominated a cohabiting partner to pay additional contributions, so that pre 6 April 1988 membership can count in the calculation of the nominated cohabiting partner's benefits should the member pre-decease their nominated partner.

Please sign and return the slip below if you wish to consider the purchase of pre 6 April 1988 membership.

PURCHASE OF PRE 6 APRIL 1988 COHABITING PARTNER BENEFITS

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Please note that by completing this form you are only expressing an interest in purchasing pre 6 April 1988 membership. You will not pay additional contributions until you have been given further information and the opportunity to consider if it is in your best interest.

I am interested in purchasing pre 6 April 1988 membership for cohabiting partner's benefits.

Print Name.....NI Number.....

Signature.....Date.....

Please note that we expect to receive a high volume of enquiries regarding this matter and will endeavour to provide you with further information as quickly as possible. Your patience is appreciated.

THIS ELECTION MUST BE MADE BEFORE 1 APRIL 2011

Return completed form to the following address:

**Pensions Service
Financial Services
Worcestershire County Council
P O Box 374
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Spetchley Road
Worcester
WR5 2XF**

3. INCREASING YOUR BENEFITS

There are two ways to top up your retirement benefits.

Option1 – Additional Regular Contributions (ARCs)

You can opt to buy extra annual pension in multiples of £250 up to a maximum of £5,000. You will need to enter into a contract of at least 12 months.

Please contact Pensions for a quotation.

Option 2 – Additional Voluntary Contributions (AVCs)

You choose how much you would like to pay into our in house AVC scheme provided by Scottish Widows, up to a maximum of 50% of your monthly pensionable pay.

Please contact Pensions for further details.

4. BENEFITS FOR CIVIL PARTNERS

The Government has issued amendment regulations that the membership prior to 6 April 1988 is to be included on the calculation of a civil partner's pension. This amendment is effective from 1 April 2008.

5. PENSION FUND VALUATION

Every three years all local authority pension funds undergo a valuation by an independent actuary appointed by the County Council. It is the Actuary's responsibility to put a value on all the Fund's assets and liabilities and to determine, in consultation with the Director of Resources, how the Fund will be funded for the coming three years with an adjustment to the contribution rate payable by employers.

The process started in April and all the necessary information was submitted to the Actuary before the end of July for the necessary calculations to be completed. Revised employer contribution rates will be agreed in December in time for implementation the following April.

6. KEEP IN TOUCH DAYS

Maternity / adoption leave

If you attend 'keep in touch days' whilst on a period of unpaid maternity / adoption leave you will pay contributions on the pay received for the day/days at your normal contribution rate. You will accrue service in the scheme for the day/days you have attended. If on return to work you decide to pay

contributions for the period of unpaid maternity / adoption leave the amount payable will be adjusted accordingly.

7. STATE PENSION CHANGES

State pension age is the earliest age you can receive your State basic pension.

State pension age is currently age 65 for men. From 2010 State pension age for women is shown in the table below, so that by 2020 State pension age for men and women will have been equalised at age 65.

Date of Birth	State Pension Age
Before 6 April 1950	60
6 April 1950 to 5 April 1951	Between 60 and 61
6 April 1951 to 5 April 1952	Between 61 and 62
6 April 1952 to 5 April 1953	Between 62 and 63
6 April 1953 to 5 April 1954	Between 63 and 64
6 April 1954 to 5 April 1955	Between 64 and 65
After 5 April 1955	65

The Government has announced its intention to raise the State Pension Age for both men and women to age 66 by 2016. This will require legislation and will affect the timetable above.

8. HOW YOUR LGPS PENSION INCREASES

The Government has announced that it intends to change the measure that it uses for cost of living increases to public sector pensions. This means that cost of living increases to pensions in payment and to deferred pensions under the LGPS would be linked to the rise in the Consumer Prices Index (CPI) rather than to the rise in the Retail Prices Index (RPI). This will apply to increases due from April 2011.

Although both indexes are measures of inflation, RPI and CPI are calculated using different methods and include different items. For example RPI includes mortgage interest but CPI does not, so CPI is not affected by fluctuations of the mortgage interest rate.

9. FUTURE CHANGES TO THE LGPS

We cannot escape press reports concerning the closure of many (defined benefit) final salary pension schemes in the private sector and the inevitable articles in the press and statements made by commentators about "gold plated" public service pensions.

Some of the more sensational reports and statements are often misleading especially when they lump together the LGPS with other public service schemes as being unfunded and paid for out of central government coffers.

The Local Government Pension Scheme differs from other public sector schemes in that there is a fund (administered locally) of money available to pay the ongoing benefits to retired members.

However, there will be future changes to the LGPS. The government has committed to a review of all public service pension schemes, and we may see future changes as to how the pension benefits are calculated or when we can retire and receive those benefits.

There is a lot of interest in the introduction of a Career Average Related Scheme (CARE), A CARE scheme is a form of final salary scheme where the total earnings of the member are aggregated and averaged over the duration of the membership before being applied to the calculation of the benefits. Many pension commentators see this as a fairer method of calculating entitlement as they view the current method of using the final salary as favouring the higher paid. Inevitably, if this method is introduced it will tend to see lower benefits being awarded.

Alternatively, the government could decide to close the defined benefit scheme altogether and decide members should pay into a defined contribution money purchase arrangement. This type of pension plan not only depends on the contributions paid into it by employees and employers but also on the investment returns achieved for the duration of the employment. Unlike a defined benefit scheme, either the current arrangement or a CARE scheme, where there is a guarantee to the level of benefit payable, there is no certainty of the benefits payable from a money purchase scheme.

The Government has also confirmed its commitment to a more equitable sharing of the cost of the LGPS between both members and employers with a proposed cap on future funding of the scheme for employers of 14% of pensionable pay. Costs above the cap will be met by employees whilst "savings" below will be shared between employees and employers.

You will recall that we have already seen an increase in the overall rate paid by employees from 6% to 6.3% with higher paid employees paying significantly higher rates of contribution and we are likely to see further increases for employees earning more than £100,000 in the near future.

As part of the process of determining nationally whether employees will be required to contribute more the Government Actuary's Department (GAD) has collected data from all local authority funds in England and Wales and is using this information to determine an overall funding position for the LGPS and whether increases (or decreases) to employee contribution rates will be required. Any changes in rates will not be applied until April 2014.

At the moment, these are all options under consideration but there will be a continuing debate concerning the future of the LGPS and the level of benefits payable. We will keep you informed of any official developments.

10. PUBLIC SERVICE PENSION COMMISSION

The Government has created a Public Service Pension Commission, headed by Lord Hutton, to undertake a "fundamental, structural review of public service pension". The Commission has been tasked with assessing the current public service pension schemes, including the LGPS, and to come forward with recommendations for future pension arrangements that are sustainable and affordable in the long term, are fair to both the public service workforce and the taxpayer and that protect existing scheme members' accrued rights. The Commission is also considering whether there is a case for changes in the Scheme to be made to deliver savings in the short-term.

The Commission published a preliminary report in October which can be viewed at:
http://www.hm-treasury.gov.uk/d/hutton_pensionsinterim_071010.pdf and the full report will be published in the Spring in time for the 2011 Budget.

We will keep you informed of any official developments.

11. CHANGES AT COUNTY HALL

Mike Weaver retired as Director of Financial Services in August and Worcestershire County Council has taken the opportunity to create a new Resources Directorate including Financial Services and much of the former Corporate Services Directorate. Patrick Birch, formally Director of Corporate Services, is the new Director of Resources who is ultimately responsible for the administration of the Worcestershire Pension Fund.

12. CONTACTING US

If you have a query or would like any further information please contact:

Pensions Service
Financial Services
Worcestershire County Council
PO Box 374
County Hall
Spetchley Road
Worcester
WR5 2XF

You can also contact us by telephone:

General:	01905 766511
Membership Team:	01905 766527
Benefits Team:	01905 728881

Or email: pensions@worcestershire.gov.uk

Please quote your national insurance number when contacting our office.

Please note that we are unable to accept changes to personal details over the telephone.

Further information on the LGPS is available at: www.lgps.org.uk and www.communities.gov.uk/lgps