

PenPal

LGPS

LOCAL GOVERNMENT PENSION SCHEME

Cronfa Bensiynau Clwyd
Clwyd Pension Fund



Issue No. 12
Spring 2007

The LGPS is Changing from 1 April 2008 – Please read this carefully!

Background

The basis of the Government's reforms for the New-Look Local Government Pension Scheme were initially announced on 23 November 2006 in a written Ministerial statement to Parliament. The statement emphasised that the Scheme should:

- Be affordable, viable and fair to taxpayers
- Be attractive to existing and future scheme members
- Provide a range of modern, equality-proofed, defined benefits.

The Draft Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 were then issued on 22 December 2006 which illustrated how the reforms will operate. And, after a period of consultation those regulations were laid before Parliament on 4 April 2007 and will come into effect on 1 April 2008.

What are the main changes?

A summary of the main changes that are taking place can be found on page 2.

Will everyone transfer over to the New-Look Scheme?

Yes. However, it is important to remember that the new 1/60th accrual rate will only apply to membership built up in the Scheme AFTER 31 March 2008. Membership built up before 1 April 2008 will provide a pension and an automatic tax free lump sum calculated upon the existing 1/80th accrual rate using your final pay at your actual date of leaving/retirement.

Is a 1/60th Scheme better than a 1/80th Scheme?

In short, YES. And here's why... Let's compare a member with a final pay of £16,000 with 30 years membership at age 65, 15 years of which occurred before April 2008 and 15 years after.

For membership before 1 April 2008 the pension and automatic lump sum would be calculated as follows:

Pension = 15 years ÷ 80 x £16,000 = **£3,000**

Lump Sum = £3,000 x 3 = **£9,000**

For membership after 1 April 2008 the pension would be calculated as follows:

Pension = 15 years ÷ 60 x £16,000 = **£4,000**

By reducing the pension to £3,000 the £1,000 given up would give a lump sum of £12,000 i.e. £3,000 more cash.

Will the '85 Year Rule' Protections still apply in the New-Look Scheme?

Yes they will. If you joined the LGPS before 1 October 2006 you will have some protection against reductions being applied to your benefits if you satisfy the rule of 85 at retirement. If you were born before 1 April 1956 and satisfy the 85 year rule at retirement, ALL of your benefits would be paid unreduced, provided you retire by 31 March 2016.

If you joined the Scheme after 30 September 2006, any decision to retire before age 65 would result in reductions being applied to your benefits.

Please note - This information is available in alternative formats for example Braille, large print, BSL Video/DVD, Audio tape and other languages on request.

	Current Scheme	Scheme from April 2008																
Type of Scheme	Final Salary	Final Salary																
Pension Accrual Rate	1/80th (1/64th taking lump sum into consideration)	1/60th																
Lump Sum	Automatic 3/80ths plus an option to commute pension at a rate of £12 tax free lump sum for every £1 pension given up, subject to a maximum tax free lump sum of 25% of capital value of accrued benefits at retirement.	No automatic lump sum, but an option to commute pension at a rate of £12 tax free lump sum for every £1 pension given up, subject to a maximum tax free lump sum of 25% of capital value of accrued benefits at retirement.																
Normal Pension Age (Unreduced benefits payable)	65 (with transitional protections for some Rule of 85 qualifiers)	65 (with transitional protections for some Rule of 85 qualifiers already in the Scheme before 1 October 2006)																
Earliest Retirement Age (Except ill health)	Currently 50 (55 from 2010)	For existing members, currently from age 50, age 55 from 2010. For new starters after 31/03/2008, age 55.																
Pensionable Pay used in Pension Calculation	Best of; Final year's pay, best of last 3 years' pay (re-valued) or Certificate of Protection of Benefits	Best of; Final year's pay or best 3 year consecutive average pay (re-valued) in the last 10 years																
Survivor Benefits	Spouse / Civil Partner's Pension - 1/160th accrual	Spouse / Civil Partner / 'Nominated' Dependent Partner's Pension - 1/160th accrual																
Children's Pensions	Maximum if 1/160th accrual	Maximum of 1/160th accrual																
Death in Service	2 times salary tax free lump sum	3 times salary tax free lump sum																
Ill health	Immediate benefits payable at any age for those members certified as permanently incapable of continuing in their own or a comparable Local Government employment until age 65. Enhanced membership of up to 10 years (depending on age and length of accrued membership)	To qualify for ill health benefits, members must be certified as permanently incapable of carrying out their current Local Government job. The level of benefits is dependent upon the ability to perform other 'gainful employment'.																
Employees' Contributions	6% of Pensionable Pay (5% for protected manual workers)	<table border="1"> <thead> <tr> <th>Pensionable Pay (p.a.)</th> <th>Rate %</th> </tr> </thead> <tbody> <tr> <td>Less than £12,000</td> <td>5.5%</td> </tr> <tr> <td>£12,001 - £14,000</td> <td>5.8%</td> </tr> <tr> <td>£14,001 - £18,000</td> <td>5.9%</td> </tr> <tr> <td>£18,001 - £30,000</td> <td>6.5%</td> </tr> <tr> <td>£30,001 - £40,000</td> <td>6.8%</td> </tr> <tr> <td>£40,001 - £75,000</td> <td>7.2%</td> </tr> <tr> <td>More than £75,000</td> <td>7.5%</td> </tr> </tbody> </table>	Pensionable Pay (p.a.)	Rate %	Less than £12,000	5.5%	£12,001 - £14,000	5.8%	£14,001 - £18,000	5.9%	£18,001 - £30,000	6.5%	£30,001 - £40,000	6.8%	£40,001 - £75,000	7.2%	More than £75,000	7.5%
Pensionable Pay (p.a.)	Rate %																	
Less than £12,000	5.5%																	
£12,001 - £14,000	5.8%																	
£14,001 - £18,000	5.9%																	
£18,001 - £30,000	6.5%																	
£30,001 - £40,000	6.8%																	
£40,001 - £75,000	7.2%																	
More than £75,000	7.5%																	
Death in Retirement Lump Sum	Pension Guarantee: 5 years less pension already paid	Pension Guarantee: 10 years less pension already paid																
Improving Benefits	Option to buy added years and / or pay in-house / free standing AVCs	Option to buy up to £5,000 additional annual pension and / or pay in-house / free standing AVCs																

2006/07 - FACTS AND FIGURES AT A GLANCE

Contributions are paid into the Fund by the Member Bodies and their employees and those monies are then invested in stocks and shares, bonds and alternative investments in order to provide benefits i.e. pensions, lump sums etc. Both the employees' rate of contributions and benefits are fixed by statute. This leaves the employers' rate of contribution as the only variable factor and this is assessed by the Actuary to the Fund as part of the statutory valuation process.

2006-07 INCOME

Income	£m
Employees	12
Employers	42
Investment Income	17
Other	7
	78

Cronfa Bensiynau Clwyd Clwyd Pension Fund

If you should have any queries on the Fund's Investments or Accounts please contact:

2006-07 EXPENDITURE

Expenditure	£m
Pensions	31
Lump Sums	9
Other	8
Surplus	30
	78

CONTRIBUTORS 31 MARCH 2007

All Contributors	13,491
------------------	---------------



Mr Philip Latham
Head of Pensions & Funds
on
01352 702264
or e-mail
philip.latham@flintshire.gov.uk

PENSIONERS 31 MARCH 2007

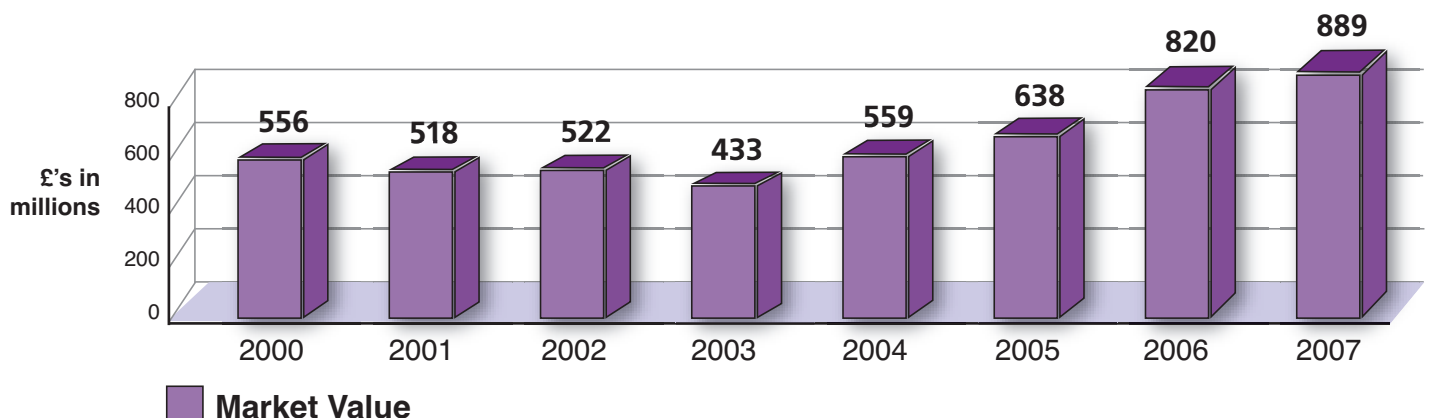
Retired Members	6,530
Widows/Dependants	1,387
Preserved Benefits	4,568
	12,485

MARKET VALUE OF FUND AS AT 31 MARCH 2007

	£m
Fixed Interest Securities	110
U.K. Equities	260
Foreign Equities	320
Alternative Investments	85
Cash	154
Net Assets	(40)
	889

CHANGE IN NET ASSETS

	£m
Fund at 1 April 2005	821
Net new money	30
<u>Changes in market value during the year</u>	
Profits on Sales	111
Unrealised Loss	(73)
Fund at 31 March 2007	889



GREAT NEWS FOR RETIREMENT SAVING

Changes to the rules concerning Additional Voluntary Contributions (AVCs) now mean that saving for retirement is more flexible than ever before. Even if you have previously discounted saving for retirement through an AVC, these changes are significant enough for you to consider it again.

Are you a taxpayer?

If you are, there is an immediate benefit from your pension contributions. You receive tax relief through your pay, which means the Government makes a contribution to your savings. For example:

If you pay tax at 22%, £100 of extra saving only costs you £78.

If you pay tax at 40%, £100 of extra saving only costs you £60.

Do you want to increase your tax-free lump sum on retirement?

An AVC account can, subject to certain limits, be taken as 100% tax-free cash.

How much can you pay?

The 15% maximum pension contribution has been removed. It is now possible to pay up to the equivalent of 50% of your earnings in any year up to a maximum, currently £225,000 per annum.

Given the importance of the latest changes Prudential, Clwyd Pension Funds' chosen AVC provider, has agreed to provide employees with individual meetings at work place locations. If you are interested in such a meeting to consider paying AVCs please e-mail:

ClwydPF@prudential.co.uk giving your preferred daytime contact details and name of your employer. You will receive clear information that will help you to reach a balanced decision. Alternatively, visit the Local Government AVC website: **www.pru.co.uk/localgov**

Transferring Previous Pension Rights to the Clwyd Pension Fund – 12 Month Rule

If you have previously paid into an occupational, personal or stakeholder pension plan, and wish to transfer your previous benefits into the LGPS, please be aware that you only have 12 months from the date of joining the Clwyd Pension Fund to request the transfer. Transfers requested outside the 12 month period will not be accepted unless you have written consent from your employer permitting the transfer to take place.

Combined Annual Benefit Statements

In Issue 11 of Penpal, we informed you that we were intending to include a State Pension forecast in your next Annual Benefit Statement.

However, as the Government are currently proposing to amend the legislation surrounding State Pensions, the Department for Work and Pensions (DWP) will not issue any Combined Pension Forecasts at the current time.

Consequently, your next Annual Benefit Statement which provides you with an estimation of your Local Government Pension benefits, will remain in the usual format.

Website Award

At the Local Government Chronicle (LGC) Finance Awards held in November 2006 in London, the Clwyd Pension Fund website was voted joint runner up to the London Borough of Lambeth in the best website award.

Sally Jones, the Clwyd Pension Fund's Communication Officer, said "Since its launch in March 2006, the website has proved to be a valuable tool for our scheme members and has significantly strengthened the Fund's communication strategy. As a Fund, we have certainly benefited from the website as it allows us to disseminate information to our members more quickly, complementing the other communication methods which are already in place". The website

www.clwydpensionfund.org.uk – includes:

- Details about the Clwyd Pension Fund
- A "What's New" section
- A section on the "New-Look Scheme from 1 April 2008
- Frequently Asked Questions
- Links to other useful sites
- Our contact details

If you haven't already done so, please find 5 minutes to browse the site.

Notifying the Clwyd Pension Fund of Changes to Your Personal Details

Please ensure you notify the Clwyd Pension Fund, in writing or via e-mail, when you change your name, address or marital status, and enclose copies of any relevant certificates.

The Pensions Database is independent to any HR/Payroll Systems that your employer may have and therefore, you need to notify the Clwyd Pension Fund of any changes in addition to your HR and / or Payroll Departments.