



Newsletter

Local Government Pension Funds

September 2006

Removal of the 85 Year Rule

Introduction

Welcome to the latest edition of the All Wales Newsletter. Local Government Pension Scheme Regulations removing the 85 year rule have now gone through Parliament. It is important that we make you aware of these changes because we know that you will be concerned about how the changes may affect you.

What is the 85 Year Rule ?

The normal retirement age for Scheme members is 65. The 85-year rule is simply a test that determines whether pension benefits paid before age 65 are subject to an early retirement reduction. Currently if you voluntarily retire before age 65 and your age and service in whole years equal 85, benefits would be paid without a reduction. *e.g. age 60 with 25 years service = 85*
N.B Voluntary retirement before age 60 must be with your **Employer's Consent**. The 85 year rule does not apply to ill-health, redundancy or efficiency retirements.



Why and when is it removed ?

The Government's current legal advice is that the 85-year rule will be in breach of Age Discrimination legislation and will therefore remove the 85 year rule with effect from 1st October 2006.

Are the benefits I've built up protected ?

Yes. The protections are as follows:

- Membership up to 31st March 2008 is protected for all current members at 30th September 2006.
- Additional protection for those who will meet the 85 year rule and attain age 60 by 31st March 2016.
- Tapered protections for those who meet the 85 year rule and attain age 60 between 1st April 2016 and 31st March 2020

Why protection to 2008 ?

The Government intends to introduce a new look LGPS from 1st April 2008, based on the timetable below.

29th September,	Consultation on Where Next? Options for a new-look LGPS in England & Wales.
November 2006	Consultation on new-look scheme Regulations.
April 2007	New-look scheme regulations laid in Parliament and in force.
April 2008	New-look scheme regulations come into effect and the new-look scheme comes into operation.

CASE 1

BORN BEFORE 31.03.1956



Glens is 50, she has 15 years membership of the LGPS.

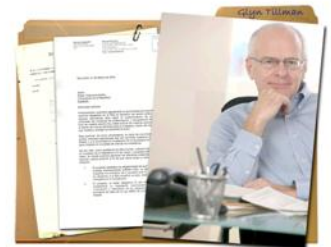
By the 31st March 2016 she will be 60 with 25 years membership and will therefore meet the 85 year rule. (60 + 25 = 85)

Glens' benefits are fully protected.

CASE 2

BORN BETWEEN 01.04.56 & 31.3.60

Glyn meets the 85 year rule by age 60 (15th June 2019) and elects to receive his benefits. Benefits accrued from 1st April 2008 would be subject to tapered reductions. Further information on reduction factors will be available from October 2006.



BORN AFTER 01.04.1960

CASE 3



Martin is 33. At age 60 he will have 42 years membership.

If benefits are paid at this date, a full actuarial reduction would be applied to all membership accrued from 1st April 2008.



Contact Details

Please contact the Pensions Section, in your Pension Fund area if you require further information.

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