

Hello and welcome to this special bulletin from **Greater Manchester Pension Fund**.

It's looking like it will be an interesting year for pensions, with many of the old tax restrictions being dropped in April, plus other changes unique to our Scheme coming in. When we know the fine detail of all these changes, we'll get a full *Pension Power* out to you, but in the meantime here's a quick preview of what we know so far, together with news of an important change which has already come in, introducing survivors' pension benefits for civil partners.

I hope you find this bulletin useful, and if there's anything else we can help with, please feel free to ring our helpline.

Ged Dale

Head of Pensions Administration

pensions bulletin

SPECIAL EDITION
JANUARY 2006

Survivors' pensions for same sex couples

December 21st was an important milestone for same sex couples, as the law changed allowing them to 'tie the knot' in a civil ceremony, not unlike a register office wedding, and become civil partners. This opens the door to a range of rights, for example property rights, the same exemption as married couples on inheritance tax, social security – and most importantly from our point of view – pension benefits too.

If you are a member of Greater Manchester Pension Fund and you have a same sex partner, then registering your partnership entitles your other half to a pension if you die first – something they wouldn't otherwise be entitled to. We have produced a helpful booklet called *Civil Partnerships & your pension* – to get a copy please call our helpline on **0161 301 7000**, email us on mail@gmpf.org.uk or you can view a copy online at www.gmpf.org.uk.

What's in the pipeline...

Earlier in December the Government announced its plans for the next round of changes to the Scheme rules, which will take place this year.

Remember **none** of this is concrete yet, as the Government has only issued draft regulations, but we thought you might appreciate a quick look at what they have in mind...

In no particular order, the draft changes are:

85 year test to be removed

This is the test that decides whether or not you face reductions in benefits if you choose to retire before 65. Its removal would see more of us facing these reductions, although there should be some protection for staff closer to retirement (those born before April 1953 who were on target to pass the 85 test).

Younger members who were on target to pass the 85 test should have some protection too, as benefits built up before October 2006 wouldn't be reduced.

We are waiting for the fine detail of how these changes will work, but to find out a little more see the newsflash called **85 test 'on its last legs'** on our website at www.gmpf.org.uk.

What is normal?

Normal retirement age would become 65 for all members, although this wouldn't mean you having to work till 65. You could still decide to leave before 65 and either draw reduced benefits immediately or leave your benefits on hold and draw them later, with a smaller reduction closer to 65, or no reduction at all at age 65. Also see the 85 test story on the left.

End of pension for lump sum swaps

Currently the rules allow you to swap some or all of your lump sum for a bigger pension when you retire – this option would go from April. We suspect not many members would miss it, since it isn't a very popular option anyway.

More scope for bigger lump sums

The current rules prevent many members from swapping some pension for a bigger lump sum – for example members who joined after 1987, and long serving members. But proposed changes would give members retiring **after 5th April** much more scope to do this. The proposed 'exchange rate' is £12 extra lump sum for every £1 a year pension given up (which isn't as generous as current rates).

So do watch the timing if retirement is just around the corner... if you would like a bigger lump sum, but present rules prevent you, you might prefer to retire **after April 5th**. On the other hand, if present rules do allow you a bigger lump sum, the rate looks like being better if you go **before 5th April**, but you may not have as much scope.

Work, rest and play

Working past 60 but drawing some pension would be a possibility – if your employer allowed it. You would still of course be able to retire completely if you wanted to.

Older children

The pensions we pay to dependent children normally stop at age 17, but can go on to any age if the child continues in full time education etc. Under the proposals they could not go on beyond age 23 (unless the child is dependent through incapacity).

Strike break change

If you go on strike, you don't build up benefits unless you pay extra. The Government proposes changes to the way this extra cost is worked out.

Deferred delay

If you leave the Scheme and leave your benefits with us, they are known as deferred benefits. A proposal for next year would allow you to delay drawing these benefits until as late as 75.

Extra years

Your employer can give you extra membership to boost your benefits through a process called *augmentation*. There is a new proposed limit of 6²/₃ years (or your membership to 65 if less).

Pay extra to avoid cuts

If you were born on or after 1 April 1953, you might be given the choice of paying extra, to avoid reductions in benefits if you choose to retire before 65.

Earnings cap to go

For members who joined since June 1989, there is a "cap" on the pay we can use for pension purposes (currently £105,600). This will go next April, but past membership is likely to be reduced to compensate.

So in summary...

Quite a mixed bag – some good news, some not so good – we wait with baited breath for the actual regulations. And by the way, one further bit of good news is that the increase in the minimum retirement age to 55 hasn't been mentioned this time, although it will have to come in by 2010 to be in line with general pensions legislation.



mail@gmpf.org.uk



0161 301 7000



www.gmpf.org.uk