

Welcome to this latest bulletin from Greater Manchester Pension Fund, to bring you up to date with the latest news about your pension.

As you may have heard, the Government has been laying down the plans for a new look Local Government Pension Scheme which will take effect from April 2008.

In this bulletin, you will find details of how we think the new Scheme will look - largely based on Regulations which have already gone through Parliament - plus what we expect to be in further Regulations, which should follow later this year.

But even before any of that, we have just had some Regulations which iron out a few wrinkles in the current Scheme - so read on to find out about these, together with news of some in house limits we have introduced to AVCs. To hopefully steer you in the right direction, we have covered the new Scheme on this side of the bulletin, and the current Scheme on the back.

So watch the mail for more news from us in the months ahead,

All the best,

Ged Dale

Ged Dale, Head of Pensions Administration.

So here's a quick round up of what's in store from April 2008 with the 'new look' LGPS - as you will see, much of what appears will be very familiar - with some welcome additions too...

Basic structure

The basic structure of the Scheme will keep the familiar final salary set up - in other words, your benefits will still be based on **pay** and **membership**. But what will change is that each year of membership will earn you a bigger slice of your pay, as you will see below.

60^{ths} replace 80^{ths}

The benefits you build up **before 1 April 2008** will be worked out as they are now, in other words:

$$\text{Pension} = \text{PAY} \times \text{MEMBERSHIP} \div 80$$

Plus a lump sum of 3 times that pension.

But the benefits you build up from **1 April 2008** will consist of a bigger pension but no automatic lump sum, worked out as follows:

$$\text{Pension} = \text{PAY} \times \text{MEMBERSHIP} \div 60$$

You will then be able to give up some pension and create a lump sum if you wish, at the rate of £1 of pension for each £12 of lump sum (this is the same conversion rate as we have now, and the same limits will apply, restricting the size of your lump sum to 25% of your pensions pot).

In case you don't do 60ths and 80ths, you might be wondering whether this leaves you better or worse off. In fact a '60ths scheme' gives you more pension for each year of membership, even after swapping pension for lump sum. *Later in the year we'll put more information on our website and in our new Members' Guide, with worked examples.*

Lump sum life cover up

Lump sum life cover will go up to **three** times your pay (this is currently two times your pay, so this is a very worthwhile improvement).

Pensions for partners too

Pensions for partners will be introduced for the first time - both same sex and opposite sex. Nearer to April, we will tell you who qualifies, and what paperwork you need to fill in. **Please note: this is NOT the same as any lump sum life cover nominations you may have already made.**

Retirement age

The Scheme's normal retirement age will stay at **65**, and all members who joined before October 2006 will keep any '85 test protections'. (We don't have details yet how this will work, but will let you know as soon as we do). As now, members will be able to choose to retire from 60, but possibly with reductions.



Redundancy/efficiency

The right to draw benefits in cases of redundancy or efficiency will carry on, but the minimum age for this will go up to 55 - in March 2010 for current members, and from April 2008 for new members.

pension power bulletin

JULY
2007

New LGPS takes shape

Ill health retirement

You will only need two years to qualify for ill health retirement benefits, and there will be two levels of incapacity, with different levels of enhancement for each.

Flexible retirement

This will continue in the new Scheme, but with the chance to draw **all or part** of the benefits you have built up, whilst continuing to work in some reduced capacity - for example by a reduction in hours. **This will only be possible if your employer agrees, and you are 50 or over (55 from March 2010).**

The cost to you

The current standard contribution rate is 6%, but the new Scheme will bring in different rates for different pay bands - so many members' contributions will change. Each year your band will be decided by your pay on 1 April. By the way, if you are part time, your full time equivalent pay will decide which band applies to you.

Depending on which band your annual rate of pay falls into, you then pay the percentage shown here of your actual pay that year.

Band	Contribution
Up to £12,000	5.5%
Over £12,000 up to £14,000	5.8%
Over £14,000 up to £18,000	5.9%
Over £18,000 up to £30,000	6.5%
Over £30,000 up to £40,000	6.8%
Over £40,000 up to £75,000	7.2%
Over £75,000	7.5%

These bands will go up each year.

Example 1: Bill works full time, and his pay on 1 April 2008 is **£12,000**. So from 1 April 2008, he will pay **5.5%** of his actual pay.

Example 2: Mary works job share. Her actual part time pay on 1 April 2008 is £8,000, but it is the full time equivalent of **£16,000** which sets her contribution rate at **5.9%**. So from 1 April 2008, she will pay **5.9% of her actual part time pay**. *Manual staff who currently pay a protected rate of 5% will have their new contribution rates phased in gradually, but we don't know the details yet.*

Topping up benefits

You will, as now, be able to boost your benefits by paying AVCs, and a new topping up plan will come in, allowing you to buy extra annual pension, up to a £5000 maximum.

The option to buy extra membership is being phased out, but as long as you sign up for this option before 1 April 2008, you can carry on with it - even if your first payment falls after this date.

Inflation proofing

Pensions will go up in line with the Retail Prices Index, as now.

Late retirement

As now, there will be enhanced benefits for members who stay in the Scheme late and draw their benefits after 65. Benefits must be drawn before the 75th birthday - even if the member works on.

Remember, none of this is etched in stone, as some of the Regulations which have already been made, could be amended, and some Regulations are yet to appear, but we hope this gives you a flavour for how things are shaping up.

Please
turn over
for more
news about
the current
Scheme

 mail@gmpf.org.uk

 **0161 301 7000**

 www.gmpf.org.uk

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If undelivered please return to: GMPF, Concord Suite, Manchester Road, Droylsden, M43 6SF



Current Scheme update

New limits on AVCs

Many of the old tax limits surrounding pensions were dropped in April 2006. One change this brought in was the chance to pay much more into AVCs - one of the top up plans on offer.

What's more, upon retirement, members can now draw 25% of their total pensions pot as tax free cash. Including the value of the accumulated AVCs in the value of this pensions pot can often give members the scope to draw all their AVCs as tax free cash.

But HMRC is concerned that some people are exploiting the new tax freedom, for example by paying in excessive amounts just before they retire. So to prevent this type of activity, the Department for Communities & Local Government (DCLG) who write the scheme rules have introduced a restriction limiting AVC contributions to 50% of pay. Our own Management Panel has also introduced some further limits, and you will find a summary of all the limits on the right.

Extra Life cover - up to 2 x pay

We had thought that the removal of many of the limits surrounding pensions in April 2006, brought more scope to pay into Prudential's extra life cover plan. But Prudential have told us they still limit this to 2 x pay (*this is on top of the automatic life cover of 2 x pay you already enjoy as a GMPF member*).

1

From 6 April 2007 AVC contributions cannot be more than **50%** of your taxable pay.

2

From 6 April 2007, you can only pay AVCs direct from your pay.

3

Existing GMPF members have until 30 June 2008 to transfer any free-standing AVCs into the in house Pru arrangement.

4

New joiners will have 12 months from joining to transfer any freestanding AVCs into the in house Pru arrangement.

5

New joiners who are transferring other pension benefits into GMPF will have 12 months from the date they join the Fund to request a transfer of any attached AVCs.

To find out more about paying AVCs or extra life cover, please contact Prudential's Pension Connection service on the local rate number below, quoting reference PAVCAI82.



0845 607 0077



Ill health limit dropped

Until the new Scheme appears, current rules on ill health retirements apply - and now with a bit of a boost. So for any ill health retirements since April 2006, the total membership is no longer 'capped' at 40 years. So if you retire on ill health at age 58, with 39 years for example, you will now get the full 6½ years extra, taking your total membership up to 45½ years. (*Incidentally the extra years still can't take you over the membership you would have built up by age 65*).

More extra years?

It isn't just ill health retirements where members can be given extra years - employers have the discretion to do this, for anyone where they feel it is justified. Until now this type of extra membership - or *augmentation* - was limited to 6½ years. From April 2007, this has gone up to 10 years. But don't hold your breath! It is expensive for employers, and is clearly an employer discretion.