

To all Pension Fund Members

About this Newsletter

This is the 2007 newsletter for members of the Local Government Pension Scheme (LGPS) in the Falkirk Council Pension Fund. It contains information about:

- The New Look Scheme
- Current Scheme Changes
- Online Communications
- Pension Fund Investment

The New Look Scheme

The Scottish Government is undertaking a Consultation Exercise with the aim of introducing a new version of the LGPS from April, 2009.

If enacted, the proposals will:

- **change the way contributions are calculated**
- **change the way benefits are calculated**
- **change ill health benefits**
- **change death and dependants benefits**

The consultation document has been prepared by the Scottish Public Pensions Agency after discussions with the Trade Unions and COSLA. **Please note that these proposals represent the most radical shake up of the scheme in the last fifty years.**

The closing date for comments is 31st October, 2007.

Comments can be sent by e-mail to

logovpensionsreform@scotland.gis.gov.uk or to:

Jean Steel (Policy Officer),
Scottish Public Pensions Agency,
7 Tweedside Park,
Tweedbank,
Galashiels, TD1 3TE

The consultation paper and Falkirk Council's response can be viewed at www.falkirk.gov.uk/pensions by following the "What's New" link.

New Look Scheme in Detail

The Government's main reason for introducing a new LGPS is to ensure that the Scheme remains affordable and sustainable into the future whilst continuing to provide good quality benefits for its members.

Of particular concern to the Government has been the rising cost of the Scheme for employers who, largely as a result of improvements in life expectancy, have seen their costs rise from 9.6% of pay to 13.8% of pay in the past decade. The new scheme has been designed to cost employers around 13.6% of pay on the condition that if costs exceed an agreed trigger point (e.g. 14% of pay), then some of these additional costs will be passed on to employees through increased contributions or a reduction in benefits.

The main **proposals** are listed below:

Contributions

Instead of paying a contribution of either 5% or 6% of pay, contributions would be collected on a tiered basis. One of several options being considered is as follows:

£0 to £18,000 of earnings	-	5.5% of pay
£18,001 to £40,000	-	8.5% of pay
£40,001 and over	-	11% of pay

With this model, employees earnings up to £18,000 p.a. would pay 5.5%; employees earning between £18,000 and £40,000 would pay 5.5% on the first £18,000 and 8.5% on the rest; whilst those earnings over £40,000 would pay a combination of all three rates. The table below shows what the average contribution rate would be for a range of salaries:

Annual Salary	Rate	Annual Salary	Rate
£10,000	5.50%	£50,000	7.92%
£20,000	5.80%	£60,000	8.43%
£30,000	6.70%	£70,000	8.80%
£40,000	7.15%	£80,000	9.08%

Benefits

The consultation proposes that the new Scheme will continue to be a **Final Salary** Scheme. The Scheme pension will be calculated as follows:

Scheme Membership x Final Pay x 1/60th

Members will then have the option of converting up to a maximum of 25% of their pension to provide a tax free lump sum. Each £1 surrendered will provide £12 of lump sum.

Moving from Current Scheme to New Scheme

All members contributing to the scheme in April, 2009 will be transferred automatically to the new scheme at that time. The old scheme will continue to function but only in respect of those who have already retired or left with deferred rights.

The consultation paper puts forward two suggestions for dealing with the rights which members will have built up in the current scheme.

- **Option 1** – members benefits will be based on 80ths of pay up to April, 2009 and 60ths of pay from April, 2009
- **Option 2** – members will receive a credit of 60ths in the new scheme equal to the 80ths being given up from the current scheme. Because the new 60ths scheme is a slight improvement on the current 80ths scheme, the period credited in the new scheme will be slightly less than the member's period of service in the current scheme.

Ill Health Retirement

It is proposed that two (or possibly three) categories of ill health retirement be introduced:

- **Upper Tier** – Member unlikely to be capable again of ever undertaking any regular employment. Ill health benefits to be based on actual membership plus prospective membership to age 65.
- **Lower Tier** - Member permanently unfit for current post and unlikely to be fit for any regular employment within 3 to 5 years. Ill health benefits to be based on actual membership plus 25% of prospective membership to age 65.
- **Possible Third Tier** – a lump sum payment to be paid if the member is permanently unfit for their post and does not qualify under Upper or Lower Tier.

Death In Service Lump Sum

The Death in Service lump sum is to be increased to 3 times annual pensionable pay from the existing 2 times annual pay.

Survivor Pensions

It is proposed changing Survivor pensions in two ways:

- Where a member dies leaving an unmarried partner, a survivor's pension will be payable, subject to the certain qualifying conditions.
- The higher rate pension ("the short term pension"), which has traditionally been paid for 3 months after a member's death, is to be removed.

Current Scheme Changes

The following changes were made earlier this year:

- Councillors admitted to Scheme from May, 2007
- Scheme rules updated from April, 2007 to allow around 40 Central Scotland Police members to stay in the Falkirk Fund on transferring to the Scottish Police Services Authority.

The following changes are expected later this year:

- Civil partners to be allowed to buy back pre-1988 membership for survivor pension purposes
- The 40 years service cap on ill health retirements is to be removed

Pensions Go Green

We all have a responsibility to use the natural resources of our planet sparingly. In the Pensions Section, we would like to make our contribution by sending you future information electronically – perhaps sending you an e-mail alert whenever a newsletter is available on our website or giving you the chance to view elements of your own personal record.

If you are interested in registering for this development, please log on to www.falkirk.gov.uk/pensions and provide the information requested at the "Register for Online Services" link.

Fund Investment Report

A copy of the Pension Fund Investment Report for 2006/07 is enclosed with this Newsletter.

The current Fund value is approximately £950 million.

Contact Information

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