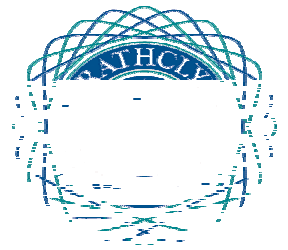


Strathclyde Pension Fund Office

Administering the Local Government Pension Scheme in West Central Scotland

Administering Authority **Glasgow City Council**



PLEASE REPLY TO:

ALISTAIR.GRAY@FS.GLASGOW.GOV.UK

0141 287 7416

Dear Sir/Madam,

2009 Local Government Pension Scheme (LGPS)

As you will already be aware from our website and the previous information that we have supplied you with, the new LGPS is still on track for introduction on 1 April 2009.

Following on from the January 2008 Heads of Agreement, the issuing of the draft regulations on 14 February, and the end of the consultation period on 27 March, I expect the final new LGPS regulations to be issued on 6 June 2008 and to be made public at <http://www.sppa.gov.uk/index.htm>.

I am writing to give you an overview of the key areas that will affect you. Perhaps the most significant implication of the new LGPS for contributing employers will be the proposed change from a flat contribution rate for members to tiered contribution rates.

Tiered contribution rates

The latest draft guidance on this area is attached separately. You will notice that there is still a window of opportunity for interested parties to influence how tiered contribution rates will be applied. To do so, I would ask that you contact Alistair Gray before 6 June, and he will ensure that your views are brought forward at the SPLG meeting in Belfast on 6 June.

Basically tiered contribution rates will mean that from 1 April 2009 members will pay up to five different percentage rates on the five possible tranches of pay that their pay could cross over.

As an example, someone earning £41,000 would pay 5.50% on the first £18,000 of their earnings plus 7.25% on the next £4,000 plus 8.50% on the next £8,000 plus 9.50% on the next £10,000 plus 12% on the final £1,000 making a total of £3,030. Their average gross contribution rate would be 7.39% of £41,000.

Payroll software provider

With less than a year to prepare your systems and processes for the new LGPS, I would suggest that you start to consider the actions that you will have to take to cover how you will implement banded contribution rates (and hold Retail Price Index changes in them each year and ad hoc member level changes during the year) in your Payroll.

To help you to meet the deadlines for delivery and testing of the changes that you will require from your IT and Payroll package providers, we have plans to link in centrally with the major providers. To assist us in doing so, I would appreciate if you could advise Alistair what type of software your Payroll uses.

Ill health

This is another area of significant change, with both the criteria for qualifying for ill health retirement and the calculation of benefits being changed.

Instead of being judged permanently unable (until 65) to do your job or any comparable job with your employer, the qualifying criteria will be based on your reasonable prospects of any paid employment of at least 30 hours a week for at least 12 months.

Instead of benefits being based on your service to date, benefits will be based on your total (actual and) prospective service to 65 with existing LGPS members being able to use the existing enhancements to service if this would leave them with a higher benefit.

There will be two levels of benefits payable from the LGPS with a possible third level payable from outside the LGPS:

- 100% of actual and prospective service, if you have no prospects of employment before 65.
- 100% of your service to date PLUS 25% of prospective service, if you have prospects of employment after three years.

Notifying staff

Here you will need to consider how you will notify staff of their new contribution and your policy on augmenting membership (by up to 10 years) and granting additional pension (up to £5,000 p.a.). You will also need to publish your policy on earliest retirement age and late (to age 75) or flexible retirement.

Planned communications

Going forward, I am planning a range of communications initiatives to help you to ease in the new LGPS and to keep your employees up to date.

For example, I am arranging for the minutes of our regular Administrators Forum to be made available through our website at www.spfo.org.uk in the "Technical Bulletins" section of the "Employers" area. This is a meeting that we hold with HR and Payroll representatives from our largest contributing employers.

In the lead up to April 2009, I am planning to deliver a bespoke series of member newsletters (and to display them in the "Members" area of the SPFO website). The newsletters would contain material that you could use in your staff communications (e.g. emails from HR departments or Intranets) on particular aspects of the new LGPS.

I am also developing posters and wage slip inserts for early 2009, and I anticipate issuing a comprehensive, updated employers guide and forms administration guide to each contributing employer early in 2009.

Take advantage of a face to face

As there are so many areas to address in relation to the new LGPS, I would suggest that you contact Alistair to arrange for your Liaison Officer to visit you at your office.

Whilst with you your Liaison Officer can deliver our "Changes" presentation to your employees. This will reassure them about the new LGPS and provide them with the opportunity to ask any questions.

However, as you need to start work on the new LGPS as soon as possible, please do not hesitate to contact Alistair, if you have any questions about or suggestions relating to the new LGPS.

Annual Meeting

I hope that you have been able to accept an invitation to our annual meeting on Friday 20 June where Tim Hazelwood of the LGPC will deliver an informative presentation on implementing the new LGPS. I look forward to seeing you there.

Yours faithfully,

Sharon McKechnie
Chief Pensions Officer (Development)