

End of contracting out and increased NI contributions

A new single tier, flat rate State Pension is being introduced for people who reach State Pension age on or after 6 April 2016. The new State Pension should help people better understand what they will get so that they can plan for their retirement. It will replace the existing basic and additional State Pension.

As a member of the LGPS you are currently 'contracted out' of the additional State Pension and therefore receive a rebate on your National Insurance (NI) contributions. This means that most members of the LGPS are currently paying a lower amount of National Insurance contributions. From 6th April 2016 you will no longer receive this National Insurance rebate which means you will start to pay a higher amount of National Insurance contributions.

The current National Insurance rebate is 1.4% between certain pay thresholds. From 6th April 2016 you will no longer receive this rebate and will pay the standard rate of National Insurance.

For example, based on earnings of £15,000 per year an employee who is a member of the LGPS would currently pay NI of £56.66 per month however from 6 April 2016, this will increase to £69.36, an increase of £10.70 per month.

The new State Pension will only provide a very basic level of income in retirement meaning that the LGPS will remain an important part of your retirement planning. Remember that you will continue to get tax relief on your pension contributions, as your contributions are deducted from your pay before you pay tax.

If however this increase in National Insurance contributions is going to make membership of the LGPS rather expensive, then please consider the option of reducing your pension contributions by electing for the 50:50 benefit option as explained below.

50:50 Benefit Option

Before April 2014, an employee had to contribute at the relevant percentage rate if they wished to join or remain in the LGPS, otherwise they had to opt- out.

Since April 2014 there is a new alternative called the 50:50 option. This means that instead of paying between 5.5% and 12.5%, you could pay between 2.75% and 6.25%. In doing so it means that your pension will grow at a rate of 1/98th per year of membership instead of 1/49th.

Furthermore, by remaining in the scheme, paying at a half rate only affects your pension, as you are still entitled to the same death in service lump sum and ill health benefits as

someone paying the full rate. You also continue to benefit from the contribution that your employer pays into the scheme on your behalf.

This option is not a permanent decision as there are various circumstances, such as unpaid sick leave or auto re-enrolment where you will be automatically put back to the normal rate. Under these circumstances you do however have the option to elect to go back to the 50:50 benefit.

If you wish to move to the 50:50 benefit option then please complete the relevant form on our website.

Please carefully consider this option as it is a viable alternative to completely coming out of the LGPS and please make any of your colleagues aware of this option if they are currently not in the scheme.

Pension Liberation

The Pensions Regulator (TPR) has launched a campaign to warn employees about the dangers of pension liberation fraud. This is when companies may "cold call" you by claiming that they can help you to cash in your pension early. What they don't tell you is that you could end up with a tax bill and perhaps lose the remaining funds in your pension.

Under normal circumstances it is only possible to draw your LGPS pension from age 55 years, the exception being on ill health grounds. Some companies are claiming that if you transfer your LGPS benefits to one of their pension arrangements then they will immediately give you a specified amount of cash. If you are below age 55 then this is classified by HM Revenue & Customs as being an "unauthorised payment" and you will become personally liable for a substantial tax charge based upon the amount of cash you have been given.

Pension loans or cash incentives are being used to entice employees with the option of being able to obtain instant cash. They are known as pension liberation fraud and are on the increase in the UK.

More information on this scam is available on The Pension Regulator's (TPR) website at www.thepensionsregulator.gov.uk or alternatively please contact us.

Pension Wise

Pension Wise is a free and impartial service that can provide guidance if you are aged 50 or over on what you can do with your pension pot, how to shop around and what to look out for with taxes and fees. They can also explain how to avoid pension scams. More information is available at www.pensionwise.gov.uk

Projection of LGPS benefits to Normal Pension Age

In last year's annual benefit statement we were unable to include a projection of your benefits to retirement age due to the introduction of the new LGPS on 1 April 2014.

As we confirmed in last year's statement, we have included a projection in this year's statement.

Your Normal Pension Age (NPA) shown on the statement is now the higher of age 65 or your State Pension Age (SPA) and may therefore change in the future. However, you are able to retire voluntarily from age 55, but your benefits may be reduced if paid before your NPA. This reduction is **not** reflected in your statement.

You may continue in employment and remain in the LGPS past your normal pension age but you must draw your LGPS benefits before the age of 75 years.

LGPS National Insurance Database

Cornwall Pension Fund participates in a data sharing project with other LGPS pension funds in England and Wales. This is undertaken in order to comply with legal requirements contained in the LGPS's governing regulations.

Provisions contained in the LGPS Regulations 2013 mean that, if a member of the LGPS dies, it is necessary for the scheme's administrators to know if the individual also had other periods of LGPS membership elsewhere in the country so that the right death benefits can be calculated and paid to the deceased member's dependents.

The LGPS National Insurance Database has been developed to allow funds to check this information with other pension funds.

What data is shared?

For each member of the LGPS, the Database contains a short entry containing:

- The individual's National Insurance Number
- A number to denote the individual's membership status
- The last calendar year that the membership status changed
- A four digit number confirming the LGPS pension fund where that member's record is held.

How will the data held on the Database be processed?

The data held on the Database will be processed in accordance with the Data Protection Act 1998 and other relevant legislation.

Are there any other purposes that the Database will be used for?

An extract of the membership information contained in the Database will periodically be shared with the Department for Work and Pensions (DWP).

In the near future we will be joining the Tell Us Once service which is a service offered in most parts of the country. When the death of an LGPS member is registered, the DWP systems will ensure that the LGPS pension fund is informed of the death, meaning that the member's records can be processed more quickly and simply than would otherwise be the case.

Who is the data shared with?

Other LGPS pension funds. These are all public bodies named in legislation as administering authorities of the LGPS.

For the Tell Us Once service, an extract of the Database containing individuals' NI Numbers will be securely shared with DWP every month so that they may maintain an up-to-date record of the LGPS's membership.

Annual Report 2014/2015

A summary of the Cornwall Pension Fund annual report and accounts is enclosed with this statement. A copy of the full report is available on our website at www.cornwallpensionfund.org.uk under the News section. If however you require a printed copy then please contact us.

Keeping us updated

Death Grant

From the moment you join, right up to the time you retire, and even beyond, you have valuable life cover as a member of the LGPS. This can include a one off lump sum payment, and also pension for loved ones so it is important to keep us updated with any changes to your personal details.

We have therefore enclosed a Form for you to complete and return to us if you wish to amend your current nomination or, submit one for the first time. The Cornwall Pension Fund has complete discretion over who receives any death grant payment so it is important that you let us know who you would like to receive any such payment in the event of your death.

Change of address

If you have changed your address, please let us know as soon as possible either by writing to us or by emailing pensions@cornwall.gov.uk.

Change in marital status

Where there is a change of marital status, we need to see a copy of the certificate to update your pension record; this may be a marriage/civil partnership certificate or Decree Absolute.

After any event but especially a divorce, you may also want to update your "Expression of Wish Form" to choose who is nominated to receive any lump sum death grant that may be payable in the event of your death.

Contact: Cornwall Pension Fund, 4S, New County Hall, Truro TR1 3AY

E-mail: pensions@cornwall.gov.uk www.cornwallpensionfund.org.uk

If you would like this information in another format or language please contact:

Cornwall Council, County Hall, Treyew Road, Truro TR1 3AY

Telephone: 0300 1234 100 Email: enquiries@cornwall.gov.uk www.cornwall.gov.uk