

# Newsletter 2011

## Changes to the rate of pension increases

Pensions paid under the Local Government Pension Scheme (LGPS) are normally increased each April in line with the cost of living. In previous years pensions have been increased in line with the Retail Prices Index (RPI) however, from April 2011 the Government has legislated that all public sector pension increases, including the LGPS, will be linked to the rise in the Consumer Prices Index (CPI).

The main difference between RPI and CPI is that CPI has historically increased more slowly which means

that, if this trend continues, the yearly increase to pensions will be less in comparison to the RPI. For example, the CPI increase awarded to our pensioners in April 2011 was 3.1% compared to the corresponding increase in RPI of 4.6%.

This new method of increase also applies to our preserved pensioners. This is where an employee ceases employment below pension age and elects to keep their benefits in the LGPS until retirement age and their pension benefits are then increased between date of leaving and retirement.

The Cornwall Pension Fund must comply with this statutory change and has no discretion to pay either more or less.

## Thinking of changing from full time to part time working?

Go to [www.cornwallpensionfund.org.uk](http://www.cornwallpensionfund.org.uk) for further information



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## Look before you leap!

In the current economic climate there are all sorts of pressures on us financially, not least from rising prices. At times like these, it's very tempting to think about opting out of the pension scheme and save some money. This is of course something you are free to do but, please carefully consider the following implications if you do!

The LGPS is a statutory funded pension scheme and therefore it is very secure because the benefits are defined in law. Some of the main benefits you receive as a member of the LGPS are:

- You pay less tax and national insurance.
- Your employer also pays into the scheme on your behalf so if you opt out you will then lose the benefit of this employer money.
- You qualify for valuable life cover of 3 times your actual pay.
- Pensions are payable to your family and, under specific circumstances, your partner in the event of your death.
- Immediate benefits are payable for ill health retirement or redundancy
- Your pension is currently linked to your service and pay and therefore your pension is not dependent upon the performance of the stock market or other investments.



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- You have the option to exchange part of your pension for a tax-free lump sum on your retirement.
- You can choose to retire from age 60 and receive your benefits immediately, although they may be reduced for early payment, as the scheme's normal retirement age is 65.
- Once in payment your pension increases each year in line with the Consumer Prices Index.

You should therefore consider taking independent financial advice before making a decision to opt out as you will lose these valuable benefits of membership.

## Public sector pension review – Hutton report

Lord Hutton of Furness, as part of the Independent Public Service Pension Commission, published his final report in March 2011 listing recommendations for changes to all public sector pension schemes. He considers these changes are necessary to make the pensions more sustainable, affordable and fairer to both the public service workforce and taxpayer.

## Changes to the LGPS

The Government is currently consulting on changes to the LGPS that will help to reduce the cost of the pension scheme. In summary, they are looking to slightly increase the contribution rates for employees and also reduce the rate at which your pension builds up each year.

Full details of both these proposals are shown on our website under the news section.

[www.cornwallpensionfund.org.uk](http://www.cornwallpensionfund.org.uk)



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