



## Your Pension is Going to Change

Welcome to the latest issue of Cornwall Pension Fund News. In it we aim to keep you informed about your Scheme – the Local Government Pension Scheme (LGPS) and what the forthcoming changes mean to you the members.

As we mentioned in our last newsletter, 1 April 2008 will see the introduction of the “new-look” LGPS and this newsletter includes detailed information about the new provisions. As a current member you will automatically be included in the new scheme.

Changes of particular importance relate to the new contribution rates you will be required to pay, how your pension will accrue and the option of nominating your partner to receive a pension in the event of your death.

### Final Salary Scheme

The new Scheme will remain a final salary scheme. This means that your pension benefits will still be worked out on the basis of your final pay on leaving or retirement and the length of your Scheme membership.

### Pension Accrual Rates

Under the present Scheme the accrual rate is a pension of 1/80th and a lump sum of 3/80ths. The new Scheme will have an improved accrual rate of 1/60th but no automatic lump sum. You will however have the option to convert some of your pension into lump sum at the rate of £12 lump sum, for every £1 of pension given up. The maximum lump sum you will be able to take will be 25% of the ‘capital value’ of your benefits, including any in-house Additional Voluntary Contributions (AVC’s) you may have paid. This is the same exchange rate that we have at the moment in the present Scheme.

The following is an example of how your pension benefits will be calculated after April:

A member retires in 2018 with 30 years membership. This membership consists of 20 years to March 2008 and 10 years from April 2008. His final pay is 18,000.

#### Benefits to 31 March 2008

$20 \times 18000 \times 1/80 = \text{£}4500$  pension per annum  
PLUS

$20 \times 18000 \times 3/80 = \text{£}13500$  lump sum

#### Benefits from April 2008

$10 \times 18000 \times 1/60 = \text{£}3000$  pension per annum

#### Total Pension Benefits

Pension ( $4500 + 3000$ ) =  $\text{£}7500$

Lump Sum =  $\text{£}13500$

You will also have the option of giving up some of the  $\text{£}7500$  pension in exchange for a larger lump sum at the rate of  $\text{£}12$  cash for each  $\text{£}1$  of pension. This option is subject to H M Revenue & Customs limits.

### Final Pensionable Pay

Your Final Pensionable Pay is the figure which is used to work out your pension benefits. In the new Scheme this will be based on the best of your last three years’ salary. If your pay is reduced (other than as a result of flexible retirement) it can be worked out on the best average of three consecutive years’ salary over the last ten years of service.

### New Contribution Rates

Under the present Scheme members pay 6% in pension contributions, with some protected workers paying 5%. In the new Scheme members contribution rates will be banded with the contribution rate based on your earnings at the beginning of April each year. The bands shown will go up in line with the Retail Price Index each April.

The contribution bands are:

Band	Whole Time Pay of:	Contribution Rate
1	£0 to £12,000	5.5%
2	More than £12,000 and up to £14,000	5.8%
3	More than £14,000 and up to £18,000	5.9%
4	More than £18,000 and up to £30,000	6.5%
5	More than £30,000 and up to £40,000	6.8%
6	More than £40,000 and up to £75,000	7.2%
7	More than £75,000	7.5%

If you are a part-time employee then your contribution rates will be worked out using the 'whole-time' equivalent pay of a full-time employee in the same post.

If you are regarded as a whole-time 'term-time' employee, then your contribution rate will be based on your actual pay earned over term-time and will not be based on the whole-time equivalent pay for the whole calendar year. If you are a term time worker who only works part-time, your contributions will be based on the whole-time term-time equivalent pay.

We have outlined some examples:

**Example 1** - Mark works full-time and his pay on 1 April 2008 is £12,500. So from 1 April 2008, he will pay 5.8% of his actual pay.

**Example 2** - Gina works 50% part-time. Her actual pay on 1 April 2008 is £8,500, but her whole time equivalent pay is £17,000. The full-time pay means that her contribution rate from 1 April 2008 will be 5.9%.

**Example 3** - Colin works full-time and his pay on 1 April 2008 is £36,500. So from 1 April 2008, he will pay 6.8% of his actual pay. This means that his contribution rate will rise.

**Example 4** - Sara works full-time during term-time only as a classroom assistant. Her actual pay on 1 April 2008 is £11,500. So from 1 April 2008 she will pay 5.5% of her actual pay.

**Example 5** - Mina works part-time during term-time only. Her actual pay on 1 April 2008 is £5,200, but her whole-time, term-time equivalent pay is £11,400. This means that her contribution rate from 1 April 2008 will be 5.5%.

### Manual workers

Manual workers, who currently pay contributions at the protected 5% rate, will have a phased increase to bring them up to the same rates as other members. This phasing will bring their contribution rate into line with all other Scheme members from 1 April 2011, by applying the rates shown in the table below. However, if the phased rate is larger than the rate shown in the 2008 new-look Scheme contribution table (see left) your contributions will be paid at the lower rate.

Year	Contribution Rate
01/04/2008	5.25%
01/04/2009	5.50%
01/04/2010	6.50%
01/04/2011	As per the Contribution Banded Table above

If you have any queries over your new contribution rate from April, please contact your Employer for an explanation of how your rate was determined.

The new contribution rate for Cornwall County Council employees will be shown on their April 2008 payslip.

### Normal Retirement Age

The new Scheme will still have a normal retirement age of 65 for drawing benefits. You will still be able to draw your benefits at any date once you are age 60 without your employer's consent, but these will be reduced as they are being paid early. You are still able to stay in, or join the Scheme beyond the age of 65, any time up to age 75. Please contact the Pensions Section for details of the reduction that would apply to you if you wish to retire early.

### Retiring before age 65

If you are currently a Scheme member the minimum retirement age at which you could take your pension will remain 50, if you retire before 1 April 2010. If you are a new or existing Scheme member and retire



after 1 April 2010 then the minimum retirement age will be 55. This is only possible with your employer's permission. If you choose to take your benefits before you are age 65 then they will be reduced unless you are covered by the 'rule of 85'. This was removed from October last year for new joiners but transitional protections were introduced and these go forward in the new Scheme and apply to varying extents depending on age and service. A further consultation is currently taking place to look at the possibility of extending these protections.

### Redundancy or efficiency retirement

In the current Scheme your pension is paid immediately if you are over 50 and are made redundant or retired on the grounds of efficiency and your pension is not reduced for early payment. Under the new Scheme if you leave on these grounds after 1 April 2008, then your employer will still pay your pension immediately if you are aged 50 or over, if this is before 1 April 2010. For new members and current members who retire after April 2010 the earliest age benefits would be payable would be age 55.

### Lump sum death in service benefit

Under the new Scheme, the lump sum death in service benefit will be increased from two times to three times your salary. If you're part time, the benefit is three times your actual part time pay.

***Please remember to keep your Expression of Wish form up to date which helps us to decide who will receive this payment should you die in service.***

Please contact us if you wish to complete a new form.

### Death in retirement

In the current Scheme if you die within five years of retirement, a lump sum is payable, equivalent to five years' pension reduced by the pension which has already been paid. In the new Scheme this is improved and the lump sum will be equivalent to up to ten years' pension, also reduced by the pension already paid.

### Buy additional pension

The new Scheme introduces the ability for you to buy additional Scheme pension in amounts of £250 per year, up to a maximum of £5,000. You can also

continue Additional Voluntary Contributions AVC's via an external provider. Buying 'Added Years' will no longer be available in the new Scheme.

Please contact us if you wish to receive details of the cost of buying this additional pension, or paying AVC's.

### Nominated cohabitee's pensions

In the current Scheme pensions are only paid to husbands, wives, same sex civil partners and children.

The new Scheme will extend this to include partner's pensions for 'nominated' dependent partners in both opposite and same sex relationships. This will be backdated to service in the Scheme from 6 April 1988, in line with the backdating for civil partner's pensions. The survivor benefits will be paid at a 1/160th accrual rate and are subject to your relationship meeting specific criteria.

***Full details are explained on the enclosed Nomination Form which you must complete and return to us if you wish your partner to be considered for receipt of a pension in the event of your death. If you and your partner do not complete and return this form then we will not be able to pay any partner's pension.***

### Ill-health retirement

You will only need two years to qualify for ill-health retirement benefits. There will be a two-tier arrangement, within the new Scheme, with a further third level possibly being provided by your employer.

#### The two tiers in the new Scheme are:

- If you are totally incapacitated and will not be able to undertake gainful employment before your Normal Retirement Date: **Your benefits are your accrued rights plus an enhancement of all your prospective service up to your Normal Retirement Date.**

If you cannot undertake gainful employment within a reasonable period of leaving Local Government employment, but you may be able to do so at some date in the future before your Normal Retirement Date: **Your benefits are your accrued rights plus an increase of 25% of your prospective service up to your Normal Retirement Date.**



**There are protections for members who will be over age 45 on 31 March 2008, to ensure that they receive no less than they would have done under the current Scheme.**

All ill-health benefits are paid unreduced for early payment.

## Cost sharing

One of the main attractions of the LGPS is that your employer pays a large part of the cost of providing the benefits.

It is however important that overall the scheme remains affordable, so increases or decreases in the cost of providing the scheme may, in future, need to be shared between employees and employers. This will be in accordance with government guidance.

**DON'T FORGET** TO COMPLETE YOUR EXPRESSION OF WISH FORM AND, IF APPLICABLE, THE ENCLOSED NOMINATION FORM FOR THE COHABITEE'S PARTNER'S PENSION.

## Death Grant - Expression of Wish Form

As a member of the LGPS one of the most important benefits within the Scheme is your death grant lump sum. Remember from April the amount payable from the LGPS in the event of your death whilst still contributing to the Scheme is increased to **three** times your salary. This makes it all the more important to remember to fill in an **expression of wish form**.

Under the Scheme rules, we have total discretion over who to pay - in other words the final decision always rests with us. But there are guidelines as to how we will use our discretion - in all circumstances we will give great weight to your wishes and in most cases will follow them, unless for some reason this is not possible or there are very exceptional circumstances. For example if the beneficiary you have named has died or it is not possible to trace them within two years. As there is this discretion there will be no inheritance tax to pay on the benefit. Also, remember, it's easy to change your form, if your circumstances change. If you have never completed an expression of wish form

or want to update your form, then you can obtain further forms from the Pensions Team.

## Co-habitee's Nomination Form

The new Scheme will contain a provision to pay a pension to a partner, as opposed to a wife, husband or civil partner, in the event of your death.

If you wish your partner to be considered to receive a pension in the event of your death then you and your partner must complete and return the enclosed form. Without this form we will not be able to pay any partner's pension.

If you are married or in a civil partnership then you do not need to complete this form as, under the rules of the LGPS, your spouse or civil partner and eligible children are automatically provided with a pension in the event of your death.

### More Information

**We hope you find this summary of the new LGPS useful. If however you require any further information then please contact us at:**

**Address:** Pensions Section  
County Hall  
Truro  
Cornwall  
TR1 3AY

**Tel:** 01872 322322

**Email:** [pensions@cornwall.gov.uk](mailto:pensions@cornwall.gov.uk)

If you would like this information in any other format please telephone the Corporate Equality & Diversity Team on 01872 322339

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