

# Cornwall pension fund news



*This newsletter has been distributed along with your Personal Benefit Statement showing the benefits you have accrued in the Local Government Pension Scheme (LGPS) up to 31 March 2007. It will be issued each year along with your Statement and aims to inform you of changes that have been made to the LGPS in the previous 12 months together with any future changes proposed by the Government.*

## A New-Look LGPS

Following a comprehensive period of consultation with Local Government employers and trade unions, the Government has issued Regulations detailing the benefits to be provided under a new-look LGPS for England and Wales to be introduced from 1 April 2008. The LGPS is to remain a final salary scheme which means that your pension will still be based upon a proportion of your annual salary in the year you retire.

## Changes in Benefits

**Amount of Pension** - From next April your pension will build up at a rate of 1/60th per annum which is better than the current rate of 1/80th but, there will be no automatic lump sum. Instead, you will have the option of exchanging some your pension for a cash lump sum at the rate of £12 cash for each £1 of pension.

**Partners Pensions** – In the current Scheme you must be married or in a civil partnership in order for your spouse/partner to receive a pension when you die. In the new Scheme a pension on your death can be paid to a nominated dependent partner.

**Revised ill-health benefits** – Different service enhancements will apply depending upon your medical condition. Where an employee has no reasonable prospect of obtaining gainful employment before age 65 then the pension payable is based upon accrued service plus ALL future service between date of leaving and age 65 years. Where an employee is unlikely to obtain gainful employment within a reasonable period of time but is likely to be able to work again before reaching age 65 then the pension paid is again based upon accrued service plus one quarter of the future service between date of leaving and age 65 years.

**Employee Contributions** – At present, most employees pay 6% of pay however, under the new scheme, your contribution will be based upon a system of bands. Your contribution rate will depend upon your annual salary as at 1 April 2008. Contributions for part-time employees will depend upon their full time equivalent salary. The contribution bands are as follows:

Full time Equivalent Salary (£)	Contribution Rate
0 – 12000	5.5%
12001 – 14000	5.8%
14001 – 18000	5.9%
18001 – 30000	6.5%
30001 – 40000	6.8%
40001 – 75000	7.2%
75001 or more	7.5%

These salary bands are increased each year in accordance with the rise in the Retail Prices Index.

**Buying Extra Pension** – Currently employees have the option of buying additional years of service in the LGPS and any contracts already started will be allowed to continue in the new Scheme. From next April, instead of buying service, you will be allowed to buy specific amounts of pension from £250 to £5000 a year.

**Death Benefits** – If you die whilst working for an employer and are in the LGPS then the death grant will be increased from 2 to 3 times your salary.

**For further details on the new LGPS please see following the Government website: [www.communities.gov.uk/lgps](http://www.communities.gov.uk/lgps)**

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

If you are thinking about reducing the number of hours you work, particularly if you are just a few years away from retirement, then you need to know how this will affect your pension benefits.

Working fewer hours will reduce the amount of future pensionable service but, where you remain in the same job, it will not reduce the amount of pay we use to calculate your pension benefits. This is because we use the full time equivalent rate of pay for all benefit calculations regardless of whether you work full or part time.

### Example

Employee retires age 65 after working 20 years full time and the final 4 years at half time. Actual pay over the final year is £7500.

The calculation for the pension amount is as follows:

$$\begin{aligned} 20 \times 15000 \times 1/80 &= 3750 \text{ plus} \\ 2 \times 15000 \times 1/80 &= 375 \\ \text{Total pension} &= 4125 \end{aligned}$$

As you can see, the final 4 years at half time has produced an equivalent of 2 years full time service but, the actual pay of £7500 has been increased to the full time rate.

If instead you find yourself working reduced hours within a different job, that is on a lower salary band you can seek to protect your pension by taking steps to maintain a link to the higher rate of salary before you changed to a lower graded job. If you are in this position please contact us for further information.

## Flexible Retirement

It is now possible for an employee aged 50 or over to request payment of their pension benefits but also continue working. In order to qualify for this benefit, the employee must either reduce their salary grade or the number of hours they are working.

This benefit is entirely at the discretion of your employer and must be in accordance with their policy. Please contact your line manager for further details.

## Additional Voluntary Contributions (AVC's)

All Local Government pension funds have an in-house AVC scheme, where you can invest money deducted directly from your pay. The Cornwall Fund in-house AVC is arranged through Standard Life Assurance Company and provides you with a flexible and tax efficient way of topping up your retirement benefits.

The tax laws relating to pensions changed radically in April 2006. The old 15% pension contribution limit (including your monthly contribution to the Fund) was replaced with a facility to pay up to 100% of pay into all pension arrangements.

The Government however introduced a limit on AVC payments into the LGPS to 50% of pay and any payments must be deducted from your monthly salary. No lump sum payments are allowed.

At retirement, it is possible to take AVC's as tax free cash providing it is included with the cash lump sum you take from the main scheme and does not exceed 25% of the capital value of your total LGPS pension benefits.

This is a new opportunity to increase your pension benefits at retirement. Anyone interested in this option should contact the Pensions Section for further details.

### Need any more information?

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

