

Newsletter 2014

Pension Liberation

The Pensions Advisory Service (TPAS) 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 website at www.thepensionsregulator.gov.uk or alternatively please contact us.

Partner’s pensions are now automatically provided

Married spouses and civil partners have been eligible for automatic survivor pensions for some time. Co-habiting partners pensions have only been available under the LGPS since April 2008 and any partner would have received a dependent’s pension only where a nomination form had been completed.

However, this requirement to nominate has been removed from April 2014 and a co-habiting partner’s pension will be paid from the time of your death if the following conditions are met:

For at least two continuous years:

- You have been free to marry each other or enter into a civil partnership



- You have lived together as if you were husband and wife or civil partners
- Neither of you have been living with someone else as if you were husband and wife or civil partners
- Your financial affairs have been interdependent or you partner has been financially dependent upon you.

We must check these conditions have been met at the time of your death and therefore we would still like you to complete our co-habiting form to ensure we have your correct current circumstances on your pension record.

Finding membership too expensive?

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.

Now 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.

New LGPS from April 2014 – projection of benefits to normal pension age

As a new LGPS started on 1 April 2014, it has not been possible for us to provide a projection of your likely benefits payable from your normal pension age and therefore, this section of your annual statement has been left blank. The benefits you earned up to 31 March 2014 shown on this statement are, and will continue to be, based upon your final salary at retirement. However, from April 2014 your pension will build up in accordance with your career average pay and as we do not yet hold any details of this pay then, we cannot project any benefits forward. These figures will however appear again on your 2015 annual statement.

When can I take my pension?

Normal Pension Age

For the pension you accrued under the "old" LGPS i.e. up to 31 March 2014, the normal pension age is 65 years. For benefits accrued under the new scheme i.e. from April 2014 your normal pension age is the higher of your State Pension Age or age 65. You may continue in employment and remain in the LGPS past your normal pension age but you must draw your LGPS benefits before age 75 years.

Retiring before Normal Pension Age

As a member of the new LGPS you have the option to retire from age 55 onwards without requiring your employer's consent. You must however be aware that retiring before your normal pension age will result in some, or your entire pension benefits being reduced. The amount of reduction will be based upon how many years early you elect to retire.

Redundancy or Efficiency retirement

Your pension benefits are paid immediately if you are age 55 years or over and no reduction is applied to the benefits you have earned for paying them early.

If you are under age 55 years then your benefits will be preserved in the scheme and usually payable from your normal pension age. You may draw then before this age but they will be reduced for early payment.

You also have the option to transfer these benefits to another pension arrangement.

Annual Report 2013/2014

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.

www.cornwallpensionfund.org.uk

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