

INCREASING YOUR PENSION BENEFITS

Have you looked at your Annual Benefit Statement?

Can you afford to live on the pension you expect to receive at retirement?

The LGPS is a good scheme. Despite this your pension may not be as much as it could be. One of the reasons for this could be you joined later in life.

Paying extra contributions could help you make up any shortfalls and the earlier you start the better!

As an LGPS member, you can increase your benefit package, subject to certain limits by one or all of the following:

Buying extra LGPS membership directly in the Tyne and Wear Pension Fund

You can buy extra years of membership directly in the LGPS, which will in turn provide you with bigger benefits. The cost of buying extra years is spread over the rest of your working life and the value of the benefits are guaranteed.

Paying into the Pension Fund's In House Additional Voluntary Contribution (AVC) Scheme

The Prudential is the in house AVC provider for the Tyne and Wear Pension Fund. Any contributions you pay will build up a fund. At retirement the fund you have built up will be used to buy an extra pension. The amount of your pension will be dependant on the size of your fund at retirement.

Whilst you are a member of the LGPS you have a life cover death benefit of two times your Final Pay. You can increase your cover from two years pay to four years pay by paying additional contributions.

You can contact the Prudential on The Pensions Connection helpline on 0845 607 0077 or by logging on to their website @ www.pru-localgov.co.uk.

More detailed information about all of these options is contained in our leaflet Increasing Your Pension Benefits. Copies are available on our website www.twpf.info or on request from the Pensions Helpline.

Increasing your Pension in other ways

There are other ways of increasing your pension such as:

- Stakeholder Pension Schemes
- Personal Pensions
- Free Standing AVC Schemes

These products are not available through The Tyne and Wear Fund. They are subject to Inland Revenue limits and you will need to arrange them yourself. Before you invest in any financial product it would be advisable to seek independent financial advice.

Information on how to get financial advice can be found on the following website <http://www.fsa.gov.uk/>.

Additionally there are other ways of investing your money and planning for your income in retirement other than shown here.

The following organisations websites may assist you with your future and financial planning:

Learn about money	www.learnaboutmoney.org
IFA Promotion	www.ifa.org.uk
Independent Advice	www.independent-advice.co.uk
The Pensions Service	www.pensions.gov.uk



LOCAL GOVERNMENT PENSION SCHEME

Pension Planning



Issued by Tyne and Wear Pension Fund

NOVEMBER 2004

Welcome to the latest edition of 'Pension Planning' - the newsletter for active members of the Tyne and Wear Pension Fund.

We have included features, which will be of special interest to you, such as how the Local Government Pension Scheme (LGPS) is changed, which changes have been made and about future changes that are proposed.

We have also included a feature covering Final Pay, along with other articles about your pension rights.

Please now read on to find out all the latest information about the LGPS.

Keeping In Touch

Most information relating to your pension is posted direct to your home address; therefore it is very important that we know what your current home address is.

We get your address details from your employer, so it is vital that you keep your employer informed if you change address, so that accurate information can be passed on to the Tyne and Wear Pension Fund.

If you wish to receive your Annual Benefit Statement and information on the LGPS, it is vital that you supply your employer with your changes of address as they occur.

Final Pay

Along with membership, Final Pay is the main ingredient for working out your benefits.

Your Pensionable Pay is the pay on which you pay pension contributions. It is your normal pay plus any shift allowances, bonuses and contractual overtime. Your Pensionable Pay does not include any non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays or pay received in lieu of a car.

Your Final Pay is your Pensionable Pay in the last year of your membership, (your last 365 days) or the better of the two previous years if this gives a higher figure. If your pay has been reduced or restricted through circumstances beyond your control within the last ten years, you can elect to receive a Certificate of Protection of Pension Benefits from your employer to confirm this. If this has happened to you, your Final Pay will be the best year's pay from the last five years or the best three-year average from the last thirteen years.

If your pay has been reduced due to sickness absence, your Final Pay is based on the pay you would have received if you had not been absent.

If you work part-time hours, your Final Pay is based on the pay you would have received if you had worked full-time hours in your post - the full-time equivalent.

Your employer supplies your Final Pay figure shown on your Annual Benefit Statement for the purposes of that statement.



Moving House

We get your address details from your employer. Therefore, please remember to inform your employer of your new address.

Special Needs

If you have any special needs and would like to receive information in an alternative way, please let us know. We have access to an interpretation service, audio aids and to documents in other formats, for example Braille, large print and electronic.

For further information regarding the LGPS, please contact us at:



The Pensions Office

Tyne and Wear Pension Fund
Hebburn Civic Centre
Campbell Park Road
Hebburn
Tyne and Wear
NE31 2SW



Pensions Helpline

0191 4244141



Fax

0191 4244171



Email

pensions@twpf.info



Website

www.twpf.info

Please quote your **National Insurance Number** and your **Membership ID Number** so we can quickly trace your records.

PENSION RIGHTS IF YOU DIE?

At the moment, in the event of the death of a member, the LGPS only pays widow's and widower's pensions to legally married spouses, and only after proof of marriage.

Recently, in the pensions arena, there has been a great deal of discussion about extending partner's pensions to unmarried partners. Some pension schemes have already done this.

As explained in the article The Rules are Changing, any changes to the LGPS are made by Government. If, in the future, the LGPS is changed to allow for partner's pensions, then there would be a publicity campaign to keep you fully informed.

So, currently if you have an unmarried partner, the LGPSR state your partner would not receive any spouse's pension.

However, you can at present nominate or choose an individual person, several persons or an organisation, such as a charity to receive a portion of, or your whole lump sum death grant. It is up to you to tell us how you wish your death grant to be shared out. If you make a nomination, this allows the payment to be processed and dispatched without having to wait for your estate to be settled. Also, payment to a nominee usually means that no inheritance tax needs to be paid on the death grant. Although best efforts will be made to comply with your nomination, the Pension Fund has some discretion in making this payment.

Any member of the LGPS can complete a Death Grant Nomination Form to specify who they would like to receive their Death Grant, in the event of their death.

You can request a Death Grant Nomination Form at any time by ringing the Pensions Helpline or you can print off from our website. Once you have completed a Death Grant Nomination Form, you are responsible for keeping it up to date.

We hope you have enjoyed reading your newsletter. Please let us know if you have any suggestions for improvement by returning your Customer Survey.

THE RULES ARE CHANGING

The LGPS is currently under review (the Stocktake) and is undergoing a number of changes. There have been some recent changes with further changes planned for the future.

The changes are being made as, on average, people are living longer. The cost to your employer and the Pension Fund of paying pensions is therefore greater because pensions will be paid for a longer period of time.

Who Makes the Rules

The LGPS is a Statutory Scheme. This means that the Government makes the LGPS's rules. Although there are a number of Local Government Pension Funds, including the Tyne and Wear Pension Fund of which you are a member, there is only LGPS and one set of rules. Most of these rules are contained in The Local Government Pension Scheme Regulations 1997 (as amended) (LGPSR).

The Office of the Deputy Prime Minister (the ODPM) is the Government Department responsible for the LGPSR. Before any changes are made to the rules there is a period of consultation and discussion. Usually the ODPM will first issue consultation papers, followed by draft Regulations. These documents are made available to Pension Funds, Employers, Trade Unions and other relevant organisations. These organisations are invited to express their views during a set consultation period. After this exercise, the ODPM publishes a finalised set of Regulations, which are then passed through Parliament as an act of law. The changes to the LGPSR then become effective.

The Changes so Far

A number of changes were made to the LGPS in April 2004. In August this year we sent all active members a special edition of our Pension Planning newsletter to advise you of the changes. A copy of this letter is available on our website www.twpf.info.

The main changes included -

- **Qualifying for Benefits**
The minimum period of membership required to qualify for benefits is now 3 months; previously this period was 2 years.
- **Transferring Earlier LGPS Membership**
An earlier period of membership can only be added to the current period of membership within the first 12 months from the day an employee rejoins the LGPS or begins a new period of membership. However employers may agree to extend this 12 month period.

WARNING! If you were already a member of the LGPS on 1 April 2004 and have previous membership with either your current or another LGPS Fund you have until **31 March 2005 to request your earlier period of membership to be combined!**

Members already receiving payment of an LGPS pension at the same time as contributing to the LGPS had up to 30 September 2004 to make a written application to retain the option to combine the two periods of membership.

- **Ill Health Retirement**
The definition of permanent ill health has been amended to emphasise that the assessment is made on the balance of probabilities.
- **No Extra Years**
Scheme members retired due to ill health cannot now be awarded a second period of enhanced membership on health grounds if subsequently re-employed.
- **Annual Benefit Statements**
It is now compulsory for each Pension Fund to issue Annual Benefit Statements to all active and preserved members.



FURTHER PROPOSED CHANGES FOR APRIL 2005

As part of the ongoing review of the LGPS the Government issued another consultation document proposing changes to become effective from April 2005. A formal consultation exercise has taken place on the following proposed changes to the LGPS :

- **Removal of The Rule of 85**
The Government is moving towards a standard retirement age of 65 across the public sector so one of the changes proposed is the Removal of the Rule of 85.
- **Rule of 85 explained**
If the total of an employee's age and length of membership (in full years) add up to 85 or more he or she can elect to retire early with their employer's consent before age 65 without any reduction to their benefits.
- **Protection for Some**
There will be protection for those who reach age 60 and satisfy the current Rule of 85 before 1 April 2013 (in other words are age 52 or over on 1 April 2005). However, not everybody will be protected. If a member does not qualify for protection and chooses to retire voluntarily before age 65, then membership accrued after 1 April 2005 will be reduced to reflect the early retirement. However, any membership prior to 31 March 2005 will be protected at its full length.
Please remember early retirement reductions only apply if you choose to retire. Whether the Rule of 85 is in place or not, there are no early retirement reductions if you retire because of ill health, redundancy or your employer asks you to leave in the interest of efficiency.
- **Increasing the Minimum Retirement Age from 50 to 55 for Redundancy and Early Retirement.**
It is intended that members who will be already 50 as at 31 March 2005 will not be subject to this change.



HOT OFF THE PRESS FUTURE CHANGES

The Government recently announced its consultation to make the most radical overhaul to the LGPS since it was set up in 1926. Areas that the Government wishes to consult on are:

- Variable contribution rates dependant on salary (average 7%)
- More flexible benefits options
- Partner's pensions

The proposals will affect both new and existing members. Current members will move into the new scheme and their accrued entitlements to benefits will be adjusted to reflect this.

The consultation period deadline for these proposals is 31 March 2005. The Pension Fund in its role as Administering Authority will be responding to the Government. The Pension Fund has informed all employers of the consultation exercise and encouraged them to respond.

Please note the proposals are in the very early stages and an extensive consultation will follow. At the moment we are unable to give any further information, however we will keep you informed of any further developments.

Further information on the above can be found on the ODPM's website. A link to this site can be found on our website www.twpf.info.



PENSIONS TAX SIMPLIFIED

Currently within the LGPS there are limits on the number of years of membership that can be built up. In addition to this the Inland Revenue sets limits on the pay that contributions can be paid on and the amount of benefits you finally receive.

These limits are known as "regimes" and the regime that applies to you is dependent on the date your membership commenced. There are 8 regimes and they can be very complicated.

From April 2006 the Inland Revenue plans to simplify this and to introduce one new single regime. This plan is called "Tax Simplification".

The new single regime will introduce

- An initial lifetime pensions savings limit of £1.5 million
- An initial annual allowance of pensions savings growth of £215,000

Please note the Pension Fund is unable to give financial advice. We are awaiting guidance on how the regime will translate into the LGPS.

However if you think these changes may affect you, you can get further information from the Inland Revenue's website www.inlandrevenue.gov.uk.