

Welcome to the latest edition of Pension Planning – the newsletter for members of the Tyne and Wear Pension Fund (the Fund) who hold preserved pension benefits.

In this edition we have included an article about transferring your pension benefits. This is in response to comments made in last year's preserved member survey. Also the survey showed that 92% of our preserved members were satisfied with the service we provide.

We hope you find your newsletter interesting reading. Please let us know if there are any specific areas that you would like us to cover in future issues. For details of how to contact us or get further information please refer to the back of your Annual Preserved Benefits Statement.

Moving House

It is important that you keep us informed whenever you change address. Otherwise we may not be able to contact you to arrange payment of your benefits.

Also, if you want to receive annual updates of the value of your preserved pension benefits, it is vital that you keep us up to date with your changes of address as they occur.

If you change your address, you can contact the Pensions Office by any of the means shown on the back page of your Annual Preserved Benefits Statement.



New Regulations

The Office of the Deputy Prime Minister (ODPM) has been carrying out a review of the Local Government Pension Scheme (LGPS). This review, known as the Stocktake, has resulted in amendments to the LGPS from 1 April 2004 and from 1 April 2005, with further changes proposed from 2008.

One of the main reasons for the changes being made is that, on average, people are living longer and because of this, the cost to employers and the Fund of paying pensions is greater, as pensions will be paid for a longer period of time.

On 1 April 2004 a number of changes were made to the LGPS. One change affecting active members is that an earlier period of membership can only be added to current membership within the first 12 months of rejoining the LGPS (although employers can extend this period). However, anyone who has already rejoined the LGPS, even more than 12 months ago, only has up to the 31 March 2005 to elect to join together periods of membership. We discuss this in more detail over the page.

Further changes are being made to the LGPS from 1 April 2005, but these changes primarily affect active members. From 1 April 2005 the LGPS standard retirement age will be 65. The Rule of 85 early retirement provision will be removed and the earliest non-ill-health retirement age increases from 50 to 55.

Your preserved benefits will not be affected by these changes as the Fund has deemed that you opted out of the provisions of the new regulations. In particular, the date we told you that your preserved benefits will come into payment will be protected.

Please note, however that protection will be affected if either now or in the future you choose to join your preserved benefits with another period of LGPS membership.

Looking to the future, the ODPM has issued a consultation paper setting out a range of suggestions for a new look LGPS from 2008.

Further information on all of these changes can be found on our website, www.twpf.info, or by calling the Pensions Helpline on 0191 4244141.

TRANSFERRING YOUR PENSION BENEFITS

Preserved pension benefits in the Fund are portable. You can transfer them to another pension scheme if you feel it is in your best interest to do so.

The following points may help you understand this in greater detail.

Transfer within the LGPS

After you have left local government employment, you may gain further employment with another local authority or an employer who operates the LGPS and participates in the Fund. If this happens, you can elect to join your benefits together, within the Fund. This must be done within 12 months of commencing your new post. Otherwise, your benefits will be kept separate.

If you commence work with another employer operating the LGPS, but outside the Fund, you can transfer your benefits into the pension fund offered by that employer. You should tell your new employer about your preserved pension benefits with the Fund. If you have recommenced on a higher rate of pay than your previous pay, it may be in your best interests to transfer your benefits. Generally in these circumstances, your membership will count as day for day service in your new pension fund. However you should check the earliest payment date and if your new employer is operating any employer discretions that are allowed within the LGPS.

Transfer outside the LGPS

If you commence work with an employer outside of local government, it may still be possible to transfer your pension benefits.

Other public sector employers such as the National Health Service and the Civil Service are part of the 'transfer club'. This club is a network of occupational pension schemes that operate different pension schemes, but agree to transfer pension benefits on a compatible basis. This means that transfers between two club schemes will provide similar membership.

Other pension schemes that are outside of the 'transfer club' may still be able to accept a transfer of your pension benefits. However the benefits which your transfer will buy in your new scheme may vary greatly depending on the rules of your new pension scheme.

You may wish to consider transferring your pension benefits to a personal pension plan or a "section 32 buy out bond" run by insurance companies. However, you need to be aware that these schemes are based on market investment and financial return. Most contain no guarantee of future income at all.

If you wish to investigate a transfer, you need to be aware that several pieces of information are required to calculate a transfer value. Some of this information is provided by other organisations and may result in delays whilst we await the necessary information.

Caution

When you are considering transferring your pension benefits, you need to take into account many factors before making your final decision. **You need to compare the overall benefit package of your new pension scheme to your old pension scheme, including the value of your pension and lump sum, the package of death benefits, the normal retirement age and the earliest possible retirement age.**

If you need advice or assistance in making a decision to transfer your pension benefits, you could contact an independent financial adviser. Please note that the adviser will probably charge you for his/her services.

Pension Liberation Schemes

However, you need to be aware that some companies are offering Pension Liberation schemes, which claim to turn pension rights into immediate cash. These companies usually charge very high commission.

You need to think very carefully before making any decisions to transfer any pension benefits!

Staying with the Fund

The alternative to transferring your pension benefits is to leave them with the Fund. If the benefits stay with us, they will be increased in line with inflation each year between your date of leaving and the date the benefits are due for payment. Each year you will be provided with an Annual Preserved Benefit Statement.

Once the benefits come into payment, they will still receive full inflation proofing. If your benefits are brought into payment on ill health grounds, or once you are over age 55, these inflation increases will be paid along with your own pension benefits.

You may have noticed that when we have written to you about your pension benefits, we have used the words *deferred benefits* or *preserved benefits*. They both mean the same thing, but over time the words have changed within the LGPS. This may have caused some confusion. From now, we will be using the words *deferred benefits* when contacting you about the pension benefits you have already built up within the Fund.