

GOVERNMENT STOCK TAKE OF LGPS

The Government is currently undertaking its periodic review of the LGPS, which is commonly known as the stock-take. First indications suggest that the LGPS will not be changing from a final salary basis. However, some minor amendments, which would make the pension scheme more flexible and more efficient, are being considered.

Being Outsourced - Remaining in LGPS

Do you know that if your employer is transferring your employment to an external contractor, you may be able to continue to pay into the LGPS?

LGPS rules now allow external contractors to gain admission to the LGPS. If the external contractor, the outsourcing employer and the administering authority of the Pension Fund agree to comply with LGPS rules for admission, then employees can remain members of the LGPS for as long as they continue to work on the contract delivering local authority services.

Otherwise, the contractor **must** provide a pension arrangement that is actuarially comparable to the LGPS.

STATE SECOND PENSION

The State Second Pension (S2P) replaced the State Earning Related Pension Scheme (SERPS) from 6 April 2002. It has been designed so that people on lower earnings will get a bigger pension from S2P than they would have got from SERPS. S2P will boost the pension of people on lower earnings, particularly those earning less than £10,800 (in 2002/2003). However, any member of the LGPS earning less than £24,600 (in 2002/2003) will receive a top-

up to their pension rights from S2P, in addition to their LGPS pension.

Members of the LGPS were contracted out of SERPS and will remain contracted out of S2P. This is because it is the Scheme and not the employee that makes the decision to contract in or out of SERPS. LGPS members can still expect to receive an occupational pension equal to or better than SERPS on top of their basic state pension.

Pension Rights for Part Time Workers

Pension rights for part time workers are still not settled. Some test cases went ahead in November 2001, but these were merely to decide the theory of the cases. Further test cases are being held to determine the details of the claims. We expect your employer and trade unions to be notified of the details during the autumn.

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Beware of Pension Liberation Schemes

Certain organisations are offering Pension Liberation schemes, which claim to convert pension benefits into an immediate tax free lump sum. This practice is sometimes referred to as 'trust busting'.

The organisers of these liberation schemes use adverts to attract people who have yet to draw their pension benefits. However the people offering this service usually charge high commissions ranging from 20 to 30% of the value of your pension rights. You could also end up paying as much as 40% tax on the total amount as well. Altogether this means you could lose up to 70% of your pension rights.

If a company offers to transfer your pension rights and pay you a large lump sum please be cautious. Some of these schemes are currently under investigation by the Inland Revenue and the Occupational Pensions Regulatory Authority. Both organisations have expressed concern about individuals losing their hard earned pension savings and then not having a decent income in retirement.

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LOCAL GOVERNMENT PENSION SCHEME

Pension Planning

Tyne and Wear Pension Fund - administered by South Tyneside MBC



2002

Welcome to this year's pension newsletter which features an article on our new website www.twpf.info. Through this website, you will be able to access Local Government Pension Scheme (LGPS) information whenever you would like to.

We've also included a recap of the ill health benefits and death benefits that are available from the LGPS. This is in response to your requests from our last customer survey.

If you have any suggestions for future issues, please let us know by returning your customer survey.

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

Launch of Tyne and Wear Pension Fund Website...

We recognize that you want access to information as it happens and when it is convenient. Consequently, we are always looking at ways of improving our service to you.

We are pleased to announce that our website is now up and running. Through this website you can access pension information 24 hours a day, 365 days a year.



The Tyne and Wear Pension Fund's website can be found at www.twpf.info.

The site currently includes the following:-

- Latest news
- Information for current and preserved members
- Information on topping up your pension
- Scheme booklets
- Useful addresses and links to other sites

Future developments will include:-

- On line application forms
- Requests for information
- The ability to change some of your personal details
- Secure access to your personal record
- The ability to perform certain personal pension forecasts

Your comments on the site are welcome. If there is anything you would like to see included, please let us know.

Don't forget you can also call our Pension Helpline on 0191 4244141, where a dedicated team of staff are available during normal working hours to deal with your enquiries. If you call outside of normal working hours or during busy times, you can leave a message on our answer service and we'll get back to you as soon as possible.



Moving House

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@s-tyneside-mbc.gov.uk



Website

www.twpf.info

Please quote your **National Insurance** number so we can quickly trace your records.

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

WHAT HAPPENS TO YOUR PENSION RIGHTS IF YOU DIE?

Do you know what will happen to your pension rights if you die?

Do you know what your dependants will receive if you die?

How long will your children receive pension payments if you die?

Whilst some people consider death to be a morbid subject, others are reassured by the knowledge that they have made provision for their loved ones.

As a LGPS member, you automatically have Death In Service cover. This means that if you die while paying into the LGPS, a lump sum death grant would automatically be due to your estate. Pensions may also be payable to your dependants. Details are summarised below:-

- A lump sum death grant of 2 years' pay is usually payable to your estate or your nominee if you die before retirement.
- If you die within the first 5 years of retirement then a death grant will be paid. The death grant will be the remainder of your first 5 years of pension payments.
- If you are married when you die, a pension is payable to your spouse for the rest of their life.
- If you have any dependant children when you die, they would also receive a pension for as long as they remain a dependant child. The definition of a dependant child is a child up to age 17, over 17 but still in full time education, or permanently physically or mentally handicapped of any age.

Ill Health Benefits

If you are suffering from poor health and have more than 2 years service within the LGPS, you may be able to leave your employment on the grounds of ill health and receive immediate payment of your LGPS benefits.

If you are unfortunate enough to be suffering from a terminal illness, with a life expectancy of less than 1 year, you may receive a special payment. Assuming the independent medical practitioner has certified

that you are unfit to do the duties of your post **and** have a life expectancy of less than 1 year, you may have a lump sum payment of 5 years pension payments paid to you immediately.

You must be examined by an independent medical practitioner to verify that you are suffering from a medical condition which will permanently prevent you from doing the duties of your post or any other comparable post (if available). If so, then you will be retired early on the grounds of permanent ill health and your benefits would be brought into payment. You may even qualify for enhanced benefits, if you have more than 5 years membership.

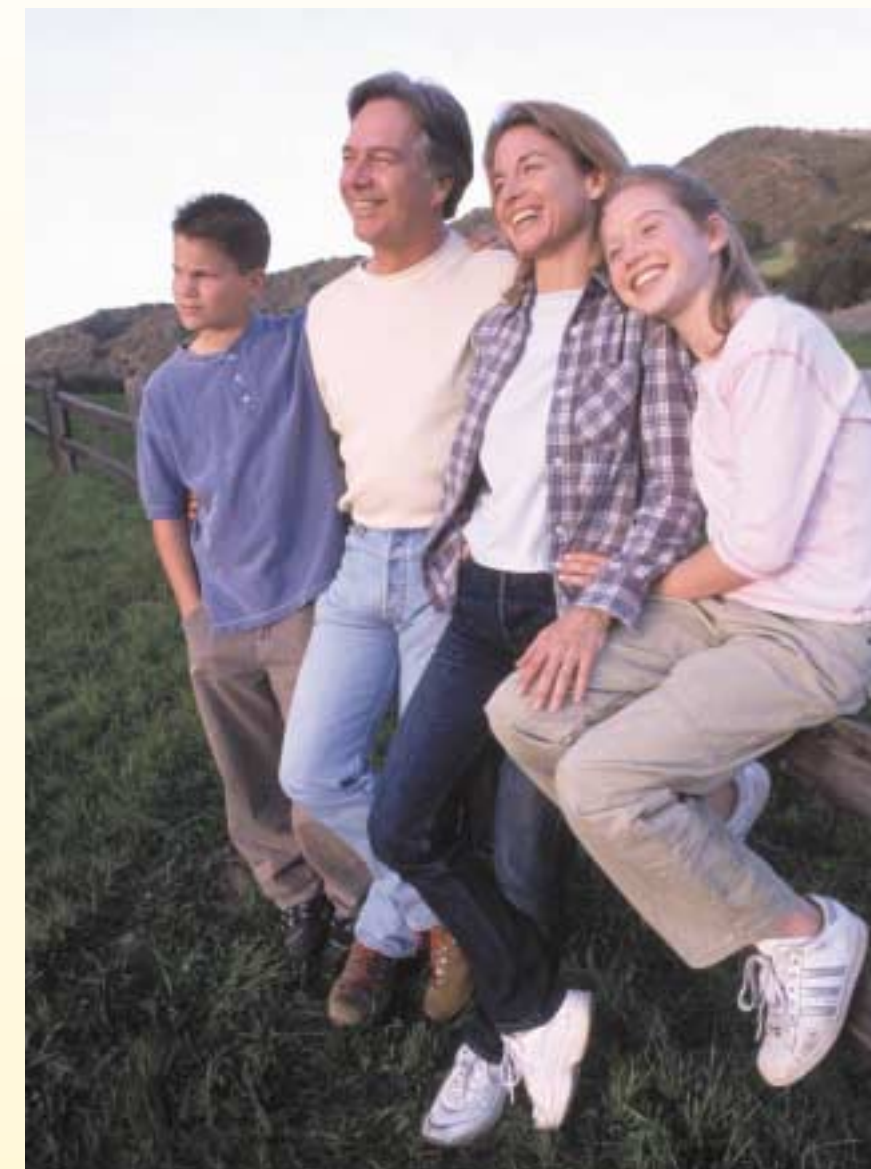


Have you nominated someone to receive your death grant payment?

The LGPS rules allow you to nominate or choose the person or persons or organisations that you want to receive the death grant payment. This allows the payment to be processed and despatched to your nominee 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.

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

If you do not complete a Death Grant Nomination Form, the death grant is due to your estate and will be paid to whoever is legally entitled to receive payment. The Probate Office will decide who that is and will issue Grant of Probate or Letters of Administration depending on whether you have written a will or not. This process can take time and the death grant then forms part of your estate and may be liable for inheritance tax.



VOLUNTARY EARLY RETIREMENT AND THE "RULE OF 85"

If you would like to retire early then you may be interested in the Rule of 85.

First of all, you must be aged 50 or over and have obtained your employer's consent for voluntary early retirement. If so, your benefits will be payable immediately. If you satisfy the Rule of 85 at this point, then your benefits would be paid, without any reduction.

So what exactly is the Rule of 85?

The Rule uses your age at retirement added to your Scheme membership in whole years up to that point to see if the total exceeds 85. If it does exceed 85, then you would receive full benefits without any reduction. If the total were less than 85, your benefits would be reduced, unless your employer chooses to waive the reduction. This would, however, incur additional costs for your employer.

Please remember that if you retire early because of redundancy or efficiency, then your benefits will not be reduced at all. The Rule of 85 does not apply in these circumstances.

Once you reach the age of 60, the Rule of 85 still applies, but you no longer need the agreement of your employer before you can take early retirement.