

WARNING..... WARNING..... WARNING..... WARNING..... WARNING.....

BEWARE OF PENSION LIBERATION SCHEMES

Opra – the Occupational Pensions Regulatory Authority – was set up by Parliament under the Pensions Act 1995 to help make sure that occupational pension schemes are run safely and properly. Opra investigates and can take action where there are breaches of the Pensions Act. Opra has a wide range of statutory powers and penalties which include imposing fines, authorising criminal prosecutions and referring cases to police and other prosecuting authorities.

Opra is investigating the promotion of "pension liberation schemes". On 3 May 2002, Opra issued the following Press Release. Please take note of Opra's warning if you have been approached by the organisers of such a scheme.

THE OCCUPATIONAL PENSIONS REGULATORY AUTHORITY (OPRA) WARNS AGAINST PENSION LIBERATION

Opra is working with the Inland Revenue to look into several organisations offering pension liberation services.

Opra chairman Harriet Maunsell today warned the public to be on their guard against these schemes, which claim to convert your pension 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 urgently need cash. The adverts offer to turn pension benefits into a tax free lump sum. However the people offering this service usually charge high commissions ranging from 20 to 30% of the individual's total fund.

Transactions are often arranged using offshore companies and bank accounts. Typically, the individual's existing pension scheme will receive a request from the pension liberator to transfer their pension money to a scheme in the name of a fictitious new employer created solely for the purpose of trust busting.

Harriet Maunsell warned consumers:

“If you get involved in this kind of scheme you are taking a high risk with your pension benefits - the rewards are questionable to say the least, and the organisers are likely to be unscrupulous. As well as paying up to 30% of your money in commission to the ‘liberators’ you could also end up paying as much as 40% tax on the total amount as well. Altogether that means you could lose 70% of your pension money. ”

The government offers tax relief to pension funds to help people build up provision for retirement. Opra, the Department of Work and Pensions and the Inland Revenue have all expressed concern about individuals losing their hard-earned pensions savings and then not having a decent income in retirement.

Issued by the Tyne and Wear Pension Fund.