



ABERDEEN CITY COUNCIL

PENSION FUND

Information Sheet

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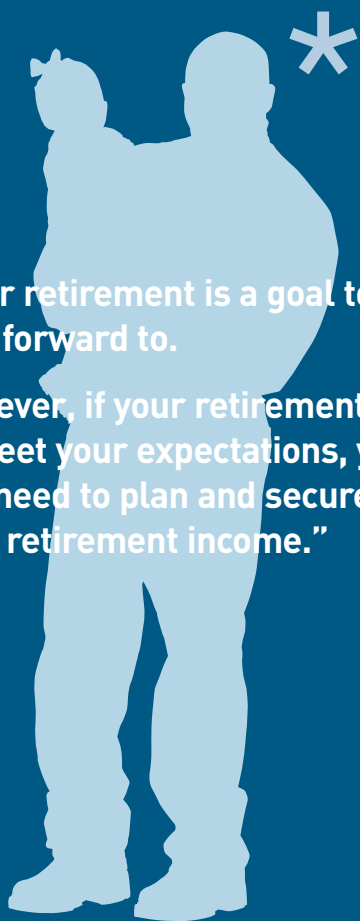
lgps look forward
with confidence



TO THE LOCAL GOVERNMENT PENSION SCHEME

Administered by Aberdeen City Council

***A GUIDE**

A white silhouette of a man holding a child, with a white star above them, set against a dark blue background. The man is standing and holding the child in front of him. The star is positioned above the child's head.

“Your retirement is a goal to look forward to.

However, if your retirement is to meet your expectations, you will need to plan and secure your retirement income.”

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*A GUIDE TO THE LOCAL GOVERNMENT PENSION SCHEME

Administered by Aberdeen City Council

The information in this booklet is based on the Local Government Pension Scheme (Scotland) Regulations 1998 (effective from 1st April 1998) and other relevant legislation. It applies to individuals who were contributing members of the Local Government Pension Scheme on 1st April 1998 or who have since joined the Scheme. The booklet was up-to-date at the time of publication in December 2006. It is for general use and cannot cover every personal circumstance nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this booklet does not confer any contractual or statutory rights and is provided for information purposes only.

The booklet explains the benefits available to you when you join the Local Government Pension Scheme. It describes how the Scheme works, what it costs to join and the financial protection that it offers to you and your family.

Where pension terms are used, they appear in **bold** type. These terms are defined on pages 30 to 36 at the back of this booklet.

Aberdeen City Council is your administering authority. If you have any queries or any other issue relating to the Local Government Pension Scheme the staff at Aberdeen City Council Pensions Section are available to help you. The contact details are:

ACC Pension Fund
AECC – 2nd Floor
Balgownie One
Conference Way
Bridge of Don
Aberdeen AB23 8AQ
Helpdesk: (01224) 814949
Fax: (01224) 814969
Email: Pensions@accpf.org.uk
Website: www.accpf.org.uk

THE CHOICE

Your Pensions Choice

Your retirement is a goal to look forward to. However, if your retirement is to meet your expectations, you will need to plan and secure your retirement income.

Your retirement income and benefits, over and above the basic flat-rate State pension, will in general be provided by the State Second Pension Scheme (S2P), a personal pension plan, a stakeholder pension scheme or the Local Government Pension Scheme. These are described briefly overleaf.

State Second Pension (S2P)

The State Second Pension (S2P) is an element of State Pension payable in addition to the flat rate Old Age Pension. Benefits are paid by the Department for Work and Pensions (the old DSS) and cannot be paid before **State pension age**. Initially, S2P will be an earnings related pension but it is proposed that, from some future date to be decided upon by the Government, it will be changed to begin accruing as a flat rate pension for people under age 45 at the date of the change.

Personal Pension Plans and Stakeholder Pension Schemes

Various institutions, such as banks, building societies and life assurance companies provide and administer personal pensions and stakeholder pension schemes. Your chosen organisation would invest your contributions and when you retire the investments are cashed in and the sum of money realised is used to buy retirement benefits from the insurance market. Your benefits are therefore based on investment returns and are not guaranteed or linked to your earnings. The age from which you may receive them will vary according to the plan, but you may not be able to receive that part which replaces the State Second Pension (S2P) before **State pension age**.

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a statutory, funded pension scheme. As such it is very secure because its benefits are defined and set out in law. The LGPS is contracted-out of the State Second Pension (S2P) and must, in general, provide benefits at least as good as most members would have received had they been members of S2P.

Highlights of the benefits provided by the LGPS are:

- a tax-free lump sum when you retire
- a pension based on your **final pay**
- the ability to increase your pension by paying extra contributions
- voluntary retirement from age 60
- retirement from age 50 with your employer's consent
- an ill health pension from any age
- redundancy cover from age 50
- a death in service lump sum of two times **final pay**
- a widow's, widower's or civil partner's pension
- children's pensions
- the index-linking of benefits to ensure that they keep pace with inflation.

In addition, as a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your **pay** and you will, up to **State pension age**, also pay lower National Insurance contributions on earnings between the **Lower and Upper Earnings Limits**, unless you have opted to pay the married woman's/widow's reduced rate of National Insurance.

THE GUIDE

Joining the Local Government Pension Scheme (LGPS)

Who can join?

The LGPS is available to all employees in Local Government, or in other organisations that have chosen to participate in it. Teachers, police officers, firefighters and, normally, employees eligible to join another statutory pension scheme (such as the NHS Pension Scheme) are not allowed to join the LGPS. You cannot join the scheme on or after the eve of your 75th birthday.

If you become employed in Local Government, you will automatically become a member of the LGPS unless you opt not to join or you have previously opted out, or you are a casual employee. If you have previously opted out or are a casual employee you can join, but must elect to do so (but see the special rules for optants out on page 26). You would then become a member of the LGPS from the beginning of the first pay period following the receipt of your option.

If you are employed by a non-Local Government organisation which participates in the LGPS (an admitted body), your employer can decide to which groups of staff the Scheme will be offered. Your employer may automatically bring you into the Scheme. You also have the right to decide not to join the Scheme.

How do I ensure that I have become a member of the LGPS?

To secure your entitlement to the Scheme benefits, even if you automatically become a member, it is important that you complete and return the joining form. On receipt of your form, relevant records will be set up and an official notification of your membership of the Scheme will be sent to you. In addition, you should check your payslip to ensure that pension contributions are being deducted.

Can I join the LGPS if I already have a personal pension or stakeholder pension scheme?

If you currently contribute to a personal pension plan or stakeholder pension scheme and decide to join the LGPS you can, if you wish still continue to make your own contributions to the personal pension or stakeholder pension scheme.

From 6 April 2006 you can, if you wish, pay up to 100% of your total taxable earnings in any one tax year (or £3,600 if greater) into any number of concurrent pension arrangements of your choice and be eligible for tax relief. However, unless you have **enhanced protection**, there will be a tax charge if in any year, other than the year in which all your pension benefits have become payable, the value of your pension savings increases by more than the **annual allowance**. There will also be a tax charge if, when you draw your benefits, the value of all your pension savings exceeds the **lifetime allowance** (or, if you have opted for it, the **primary lifetime allowance protection** or **enhanced protection**). Tax will be payable on any excess amount.

Most scheme members pension savings will be significantly less than the **lifetime** and **annual allowances**. The **lifetime allowance** and **annual allowance** covers any pension benefits you may have in all tax-registered pension arrangements – not just the LGPS – but excludes the State Pension.

Points to Note

- Employers can refuse membership of the LGPS to employees who have opted out more than once and do not elect to re-join the Scheme within three months of starting work for them.
- You may be able to transfer previous pension rights into the LGPS. See pages 8 and 9 for details.
- The term 'Local Government' in this Guide also covers Police and Fire civilian staff, a registration officer, and non-teaching staff of educational establishments such as self-governing schools and Further Education Colleges.

CONTRIBUTIONS

What do I pay?

Your contribution is 6% of the **pay** you receive for your contractual hours. If you have no contractual hours of employment, contributions are deducted on all the **pay** you receive.

Your contributions are very secure. As the LGPS is set up by Statute, payment of benefits to its members is guaranteed by law.

Am I protected if I had a right to pay 5% before 1st April 1998?

If you were employed as a 'manual worker' before 1st April 1998 and were either a member of the LGPS or had a right to be, you retain the right to contribute at 5%. This is retained while you remain employed as a manual worker without a break in employment of more than one month and one day. Your right is also retained if your job is brought back into Local Government after a period of statutory transfer to another employer. A 'manual worker' is an employee whose duties are not mainly administrative, professional, technical or clerical.

What does my employer pay?

Your employer pays the balance of the cost of providing your benefits after taking into account investment returns. Every three years, an independent actuary calculates how much your employer should contribute to the Scheme. The amount will vary, but generally the underlying assumption is that you contribute approximately one third of the Scheme's costs and your employer contributes the remainder.

Do I receive tax relief on my contributions?

The Scheme is fully approved by HM Revenue and Customs, which means that you receive tax relief on your contributions. To achieve this, your contributions are deducted from your salary before you pay tax. So, for example, if you pay tax at the rate of 22%, every £1 that you contribute to the Scheme only costs you 78p net.

What about my National Insurance contributions?

As the Scheme is **contracted-out** of the State Second Pension (S2P) you will, up to **State pension age**, pay reduced National Insurance contributions on your earnings between the **Lower** and **Upper Earnings Limits**, unless you have opted to pay the married woman's/widow's reduced rate of National Insurance.

What happens if I am on sick leave?

During a period of sick leave you will pay contributions on your contractual **pay** (before any reduction on account of Statutory Sick Pay or Incapacity Benefit). If you are on unpaid sick leave, you will not pay any contributions. In both cases, your benefits will continue to accrue as if you were working normally and receiving full **pay**.

What happens if I am on maternity, paternity or adoption leave?

During any period of paid maternity leave (including any period when only Statutory Maternity Pay is paid) or statutory paternity or adoption leave, and during any unpaid maternity or adoption leave during the 26 week Ordinary Maternity leave / Ordinary Adoption leave period, and during any period of unpaid statutory paternity leave, you must continue to pay pension contributions on the actual **pay**, if any, you are receiving. Benefits will continue to accrue as if you were working normally on full **pay**.

If you have a right to return to work, you can choose to pay contributions for any period of unpaid maternity or adoption leave beyond the 26 week Ordinary Maternity leave / Ordinary Adoption leave period so that the period of absence will count in full for pension purposes. The contributions will be calculated on the rate of **pay** (or reduced pay) that you were entitled to receive immediately before you commenced the period of unpaid maternity leave.

If, before going on maternity, paternity or adoption leave, you were paying additional contributions to increase your membership, these remain payable. They are calculated on the rate of **pay** you would have received if you were not on maternity, paternity or adoption leave. The additional membership continues to accrue in full.

Can I make extra contributions to increase my benefits?

Members are able to increase their benefits by paying extra contributions to purchase additional years of membership within the Scheme or by making additional voluntary contributions (AVCs). Additionally, you may pay contributions into a personal pension plan or a stakeholder pension scheme. These options are explained in more detail on pages 19 to 22.

Is there a limit to how much I can contribute?

At the present time there is no limit on the amount of contributions you can pay (although there is a limit on the number of added years you can buy in the Scheme – see pages 19 to 20). However, tax relief will only be given on contributions up to 100% of your taxable earnings. Additionally, unless you have **enhanced protection**, there will be a tax charge if in any year, other than the year in which all your pension benefits have become payable, the value of your pension savings has increased in excess of the **annual allowance**. There will also be a tax charge if, when you draw your benefits, the value of all your pension savings exceeds the **lifetime allowance** (or, if you have opted for it, the **primary lifetime allowance protection** or **enhanced protection**). Tax will be payable on any excess amount.

Can I transfer pension rights into the LGPS from a previous pension scheme?

You may be able to transfer pension rights into the LGPS from:

- a previous LGPS fund
- a previous employer's pension scheme (including an overseas occupational pension scheme), or
- a self-employed pension plan, or
- a 'buy-out' policy, or
- a personal pension plan, or
- a stakeholder pension scheme

You are not able to transfer benefits into the LGPS which are derived from a Pension Credit. A Pension Credit refers to benefits granted to a spouse or civil partner by a Court under a Pension Sharing Order, or by a qualifying agreement in Scotland, following a divorce or annulment of marriage or the making of an order for the dissolution or nullity of a civil partnership.

If you opt to transfer pension rights to your **administering authority's** Fund from a previous employment where you were also a member of the LGPS, your membership will normally be transferred on a day for day basis. However, if you are receiving a lower full time equivalent salary than in your previous employment you should seek information from your **administering authority** before opting to transfer.

If you opt to transfer pension rights from a non-LGPS arrangement then a sum of money is offered to buy a membership credit in the LGPS. Such a transfer may not always be advantageous. Transfers from public sector schemes usually give broadly equivalent benefits in the LGPS, provided you apply for the transfer within 12 months of joining the LGPS. Any decision to transfer cannot be made immediately. Any request you make to investigate a transfer will not be binding until you have been supplied with further details and subsequently confirm that you wish the transfer to go ahead. An option to transfer must be made within 12 months of joining the LGPS or such longer period as your employer allows. This is an employer **discretion**: you can ask the Pensions Section for a copy of your employer's policy statement which will show their policy on this matter.

Can I transfer a free standing or previous in house additional voluntary contribution (AVC) fund to an in house AVC scheme?

Yes, you can transfer your accrued free standing additional voluntary contributions (FSAVC) and in house AVC funds to an in house AVC scheme at any time while you are a contributing member of the LGPS. Further information about AVCs is provided on pages 20 and 21.

Points to Note

- If you are granted unpaid leave of absence or leave on reduced **pay** (including parental leave) for less than 31 days, you must pay your contributions on the **pay** you would have received had you not been on such leave.
- If you are granted unpaid leave of absence or leave on reduced **pay** (including parental leave) for a period of more than 30 days, you can elect to pay contributions for the whole period (up to a maximum absence period of 36 months) in order to maintain your full pension benefits.
- If you are called for jury service you are still required to pay your contributions.
- In the case of an industrial dispute you can elect to buy back the membership lost at a rate of 16% of the **pay** you would have earned had you not been on strike.
- An election to pay back contributions must be made within 30 days of your return to work, or within 30 days of leaving if you do not return, or such longer period as your employer may allow. This is an employer **discretion**: you can ask your employer what their policy is on this matter.
- Your **administering authority** may decline to accept a transfer from a non-LGPS arrangement.

RETIREMENT BENEFITS

When can I retire?

You can retire and receive your LGPS benefits in full from age 65. The Scheme also makes provisions for the early payment of your LGPS benefits and these are detailed in the sections on Ill Health, Early Retirement and Flexible Retirement on pages 13 to 16.

The **State pension age** is 65 for men and 60 for women. However, from the year 2020, the Government will have equalised the **State pension age** for both men and women at 65. The increase in the **State pension age** for women will be phased in gradually from the year 2010 as shown on page 35.

What are my retirement benefits?

When you retire, you will receive a pension and a tax-free lump sum from the LGPS. At **State pension age** you will also receive the basic flat-rate State pension if you have paid sufficient National Insurance contributions during your working life.

What if my employer retires me on grounds of redundancy or efficiency?

If you are aged 50 or over and have at least two years **total membership** of the LGPS or have brought a transfer value into the LGPS, you will be entitled to the immediate unreduced payment of your LGPS pension and tax-free lump sum.

How much will my pension be?

Your pension is based on your **total membership** and your **final pay**. The example below shows how your pension is calculated by dividing your **final pay** into 80ths and multiplying this figure by your **total membership** to give you your annual pension.

If for any reason (other than sickness) your **pay** goes down in the year before retiring, the better of the previous two years' **pay** may be used as your **final pay** figure. If your **pay** is reduced because of sickness, the **final pay** is taken to be the **pay** you would have received had you not been sick.

If your **pay** has been reduced or the rate at which it may be increased has been restricted through circumstances beyond your control within the last ten years and at the time you received a Certificate of Protection from your employer stating this, then your **final pay** will be the best year's **pay** in the last five years, or the best consecutive three year average in the last thirteen years.

How much will my lump sum be?

The lump sum automatically paid on retirement is three times your annual pension and is tax-free. Like your pension, it is based on your **final pay** and your **total membership**. The calculation for the lump sum is 3/80ths of your **final pay** for every year of **total membership**. If you draw your benefits on or after 6 October 2006, you will be able to commute some of your pension to receive a bigger tax-free lump sum – further information on giving up some of your pension to increase your lump sum is provided on page 11.

Example pension and lump sum calculation

On retirement at age 65, a Scheme member has 30 years and 204 days **total membership** and has a **final pay** of £16,200.

The annual pension is therefore:

$$1/80 \times £16,200 \times 30 \text{ } 204/365 = £6,188.18$$

The tax-free lump sum automatically paid is therefore:

$$3/80 \times £16,200 \times 30 \text{ } 204/365 = £18,564.53$$

Is the calculation the same for part-time employees?

For part-time employees, the same calculation is used, but the **total membership** is scaled down to the whole-time equivalent length based on the contractual hours worked and the **final pay** is scaled up to the whole-time equivalent rate. Where an employee does not have any contractual hours, the **total membership** for each year in the LGPS will be calculated on average weekly hours worked during each year.

Example pension and lump sum calculation for part-time employees

On retirement at age 65, a Scheme member has been in the LGPS for 30 years and 204 days, working at exactly half-time, and in the final year of employment has paid contributions on **pay** of £8,100.

The length of **total membership** is therefore scaled down to the whole-time equivalent length of 15 years and 102 days and the **final pay** is scaled up to its whole-time equivalent rate of £16,200.

The annual pension is therefore:

$$1/80 \times £16,200 \times 15 \text{ } 102/365 = £3,094.09$$

The tax-free lump sum automatically paid is therefore:

$$3/80 \times £16,200 \times 15 \text{ } 102/365 = £9,282.27$$

Is the calculation the same for men with membership before 1st April 1972?

Up to and including 31st March 1998, if you were a married man, male divorcee, or widower with membership before 1st April 1972, potential widow's benefits on that membership were paid for by a reduction to your lump sum. Before 1st April 1998 you could elect to enter into a contract to pay additional contributions to avoid the reduction. Since 1st April 1998, any membership not covered by such a contract has been counted at 89% of its actual length and the reduction to the lump sum abolished. If at the time of retirement a contract is not complete, the relevant proportion of pre 1st April 1972 membership not purchased will be reduced to 89%. Contracts are, however, deemed completed should you retire on ill health or die in service. Should you have membership before 1st April 1972 and marry after 31st March 1998, but before you retire, you should contact your **administering authority** for further information. Contact details are on the inside front cover of this booklet.

Can I give up some of my pension to increase my lump sum?

If you draw your benefits on or after 6 October 2006, you will be able to exchange some of your pension to receive a bigger tax-free lump sum. You will be able to take up to a maximum of 25% of the capital value of your pension benefits as a tax-free lump sum or, if lower, 25% of the **lifetime allowance** less an adjustment for the value of any other pension benefits you are already drawing. The lump sum automatically paid on retirement as detailed on page 10 roughly equates to 15% of the capital value. Any amount you take as a lump sum above the automatic lump sum would be achieved by exchanging part of your annual pension for a one-off tax-free cash payment – for each £1 annual pension given up you will receive £12 lump sum. You may not reduce your pension to below your **Guaranteed Minimum Pension**.

As your election to commute should be made in writing to your **administering authority** before your benefits are paid it is important you contact the Pensions Section well in advance of your intended retirement date so they can provide you with further details about this option and the necessary paperwork.

Your lump sum will be increased and your pension reduced in accordance with any commutation election you make. Any subsequent widow's, widower's, civil partner's and children's long term pensions will be calculated by reference to your pension prior to any reduction to provide an increased lump sum.

The Pensions Section will provide you with further details about this option.

How will my pension be paid?

Monthly pension payments will be made direct into your bank or building society account. Similar arrangements can also be made to pay your pension into your account should you move abroad. Further information regarding payment of pensions is provided on retirement.

Will my pension increase?

After age 55, your pension will be increased each year in line with the **Retail Prices Index**. If you retire before age 55, the accumulated effect of inflation since you retired will be added to your pension when you reach age 55 (but see page 13 regarding the increasing of ill health pensions.) In some special circumstances i.e. where there is a dependant who is wholly or mainly supported by you and who is either under 17 or is in full time education or training, a non-ill health pension can be increased before age 55. However, in the case of a woman, only the fraction of her pension earned in respect of service before 1 January 1993 will be increased and in the case of a man only that fraction of his pension earned in respect of service between 17 May 1990 and 31 December 1992 will be increased.

Points to Note

- If your pension benefits are subject to a Pension Sharing Order issued by the Court following a divorce or annulment of marriage or the making of an order for the dissolution or nullity of a civil partnership, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or agreement (see pages 27 and 28 for further details).
- If your **pay** has been reduced or the rate at which it may be increased has been restricted through circumstances beyond your control, your employer may issue you with a Certificate of Protection automatically and must issue one if you request it within a year of the reduction or restriction (see page 10).
- If you decide to pay extra contributions to purchase additional years of membership, your **total membership** will be increased accordingly (see pages 19 and 20).
- Under HM Revenue and Customs rules, if the capital value of your LGPS retirement benefits together with other pension benefits you are receiving (not including any state retirement pension, state pension credit or any spouse's, civil partner's or dependant's pension you may be entitled to) exceeds the **lifetime allowance** (or your **primary lifetime allowance protection** or **enhanced protection** if you have opted for it), the excess will be subject to a recovery tax charge. Your **administering authority** will let you know what the value of your LGPS benefits on retirement is and ask you about any other pensions you may have in payment, so they can work out whether there is an excess amount on which the recovery tax charge should be levied. If you do not provide this information promptly it could delay the payment of your pension. Most scheme member's pension savings will be significantly less than the **lifetime allowance**.
- Under HM Revenue and Custom rules, if the LGPS makes an unauthorised payment or if you recycle your lump sum back into a pension arrangement, there will be a tax charge.
- If you joined the LGPS after 31 May 1989 and before 6 October 2006, there were restrictions on the **pay** you could pay contributions on and on which your benefits could be calculated. This was known as the earnings cap. The earnings cap for 2006/07 was £108,600. If the earnings cap affected you, from 6 October 2006 you now pay contributions on and have your pension benefits calculated on all your pensionable pay; your benefits will be subject to the new controls on pension savings – the **lifetime allowance** and **annual allowance**. However, if you were subject to the earnings cap on 5 October 2006 and your pay in 2005/06 exceeded the earnings cap of £105,600, as you have not paid contributions on all your pay up to 6 October 2006, your relevant membership prior to then will be reduced to reflect this, treating you as though you had never been subject to capped **pay**.
- At **State pension age** your pension will be compared with your **Guaranteed Minimum Pension (GMP)** and increased to the rate of your **GMP** should this be higher.
- If, after retiring, you return to employment within Local Government or another organisation that participates in the LGPS, your pension may be reduced or suspended in accordance with the rules determined by your **administering authority**. Under the LGPS, this is an **administering authority discretion** and their policy with regard to it must be included on a **policy statement**. If you were a member of the LGPS before 1st April 1998 your **administering authority's** rules must not make you worse off than you would have been under the 1987 Local Government Superannuation (Scotland) Regulations. Further details will be provided on request.

ILL HEALTH RETIREMENT

What happens if I have to retire early due to ill health?

If you have at least two years **total membership** or have brought a transfer value into the LGPS and an **administering authority** approved independent registered medical practitioner who is qualified in occupational health medicine certifies that you have become permanently unable (until your 65th birthday) to do your job, or any comparable job with your employer, efficiently because of ill health or infirmity of mind or body, you will receive your pension and lump sum immediately.

How is an ill health pension and lump sum calculated?

Ill health pensions and lump sums are calculated in the same way as detailed in the section on Retirement Benefits, except that the **total membership** used in the calculation will be increased if your **total membership**, excluding any additional membership granted by your employer, is five years or more. This is to reflect that you are having to retire early. The amount by which it will be increased is shown in the table below.

Total Membership	Total Membership after Increase Awarded
Less than 5 years	Actual total membership only
Between 5 and 10 years	Total membership doubled
Between 10 and 13 1/3 years	Total membership increased to 20 years
Between 13 1/3 and 33 1/3 years	Total membership increased by 6 2/3 years
Between 33 1/3 and 40 years	Total membership increased to 40 years
Over 40 years	Actual total membership only

Your increased membership, however, must not exceed the **total membership** you would have accrued had you continued in employment until age 65.

What if I do not qualify for an ill health pension and lump sum?

If you have less than one years **total membership** and have not brought a transfer value into the LGPS you will receive a refund of your contributions.

If you have between one and two years **total membership** and have not brought a transfer value into the LGPS, you will receive an ill health grant. This will be 1/12th of your final pay per year of total membership. However, should a refund of your contributions be higher you will receive this instead.

Points to Note

- If your pension benefits are subject to a Pension Sharing Order issued by the Court following a divorce or annulment of marriage or the making of an order for the dissolution or nullity of a civil partnership, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or agreement (see pages 27 and 28 for further details).
- For part-time employees, the period of extra membership is scaled down in proportion to the whole-time equivalent. Similarly, where an employee's membership consists of a mixture of whole-time and part-time employment, the period of extra membership is adjusted to reflect the employee's historic work pattern (but not if the **total membership** includes at least 13 1/3 years of whole-time employment) but the adjustment must not produce benefits less than those that would have been paid based solely on the period of whole-time employment (i.e. ignoring the part-time employment).

- Your pension benefits will not be increased if you have previously been awarded an ill health pension under the Scheme.
- If you were paying additional contributions to increase your membership these will be deemed to be paid in full.
- When, at the date of retirement, the **administering authority** is satisfied that there is a life expectancy of less than a year, the **administering authority** may commute the pension into a lump sum equal to five times the annual amount of pension given up.
- Ill health pensions are increased each year in line with the **Retail Prices Index** regardless of age.

EARLY RETIREMENT

Can I retire early?

If you have at least two years **total membership** or have brought a transfer value into the LGPS you can elect, in writing to your employer, to retire and receive your LGPS benefits at any time from age 60 onwards.

Between and including the ages of 50 and 59 you may also elect to retire and receive your LGPS benefits, but only if your employer gives their consent. This is an employer **discretion** and under the LGPS your employer's policy with regard to this must be included on their **Policy Statement**.

Will my pension and lump sum be reduced if I retire early?

If you join the LGPS after 30 November, 2006 and retire before age 65, your pension and lump sum, initially calculated as detailed in the section on Retirement Benefits, will be reduced.

The reduction is calculated in accordance with guidance issued by the Government Actuary from time to time. As a guide, the percentage reductions, issued in December 2006, for retirements up to five years early between and including the ages of 55 and 65 are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

Years early	Pension Reduction %		Lump Sum Reduction % All Members
	Male	Female	
1	6	5	2
2	11	10	5
3	16	15	7
4	20	19	9
5	24	23	12

If you are contributing to the scheme on 30 November 2006 some or all of your benefits paid early could be protected from the reduction if you are a protected member.

Your employer may, however, determine on compassionate grounds not to apply the reductions. This is an employer **discretion**; you can ask your employer what their policy is on this matter.

If you voluntarily retire before age 65, you do not have to receive immediate payment of your benefits and can defer them within the LGPS for payment at a later date as detailed on page 23.

Points to Note

- Generally, if you were a member of the Scheme before 6th April 1997 your pension must not be reduced lower than a minimum level.
- This will equal 1/80th of your **final pay** for each year of your **total membership** in **contracted-out** employment on and between:
 - ~ 6th April 1978 and 31st March 1996 if you are female, and
 - ~ 17th May 1990 and 31st March 1996 if you are male.
- In addition, once you have attained **State pension age**, the LGPS must guarantee to pay your pension at least at the level of your **Guaranteed Minimum Pension (GMP)**. A female Scheme member who chooses to receive her benefits before her normal retirement date in circumstances where her pension is reduced to less than the level of her **GMP**, will have her pension increased immediately to the level of her **GMP** on attaining **State pension age**. A male Scheme member will receive a reduced pension until age 65 when it will be increased to match his **GMP** if greater.
- If a female Scheme member leaves her employment, but defers payment of her benefits after **State pension age**, then her **GMP** is payable from the later of **State pension age** or her date of leaving. If employment continues for more than five years beyond **State pension age**, payment of the **GMP** cannot be delayed beyond five years unless the Scheme member agrees to the postponement.
- If your employer gives consent to your early voluntary retirement on or after age 50 and before age 60 your pension will be increased each year in line with the **Retail Prices Index** except that if you retire before age 55 your pension will be paid at a flat rate until age 55. At that time it will be increased by the accumulated effect of inflation since you retired. In some special circumstances i.e. where there is a dependant who is wholly or mainly supported by you and who is either under 17 or is in full time education or training, a pension can be increased before age 55. However, in the case of a woman, only the fraction of her pension earned in respect of service before 1 January 1993 will be increased and in the case of a man only that fraction of his pension earned in respect of service between 17 May 1990 and 31 December 1992 will be increased.
- If your pension benefits are subject to a Pension Sharing Order issued by the Court following a divorce or annulment of marriage or the making of an order for the dissolution or nullity of a civil partnership, or are subject to a qualifying agreement in Scotland your benefits will be reduced in accordance with the Court Order or agreement (see pages 27 and 28 for further details).

FLEXIBLE RETIREMENT

Can I have a gradual move into retirement?

If you have at least two years **total membership** or have brought a transfer value into the LGPS you may wish to consider the possibility of flexible retirement. Rather than continuing in your job to 65 and drawing your pension from then, you could from age 50, with your employer's consent, reduce your hours or move to a position on a lower grade and elect in writing to your administering authority to draw the pension benefits you have already built up - helping you ease into retirement – whilst still drawing your wages / salary from your job on the reduced hours or grade.

You can continue paying into the LGPS to build up further benefits in the Scheme.

You must have your employer's consent to draw your pension benefits under flexible retirement.

Will my pension and lump sum be reduced if I take flexible retirement?

If you are contributing to the scheme on 30 November 2006 some or all of your benefits paid early could be protected from the reduction if you are a protected member.

If you join the LGPS after 30 November 2006 and take flexible retirement before age 65, your pension and lump sum, initially calculated as detailed in the section on Retirement Benefits, will be reduced for early payment.

Your employer may, however, determine not to apply all or part of any reduction; this is an employer **discretion**.

Points to Note

- If you receive payment of your benefits under flexible retirement, then your benefits will not be subject to reduction or suspension for re-employment whilst you continue in your employment or any subsequent employment with the employer that allowed you to take flexible retirement.

LATE RETIREMENT

What if I carry on working after age 65?

If you carry on working after age 65 you will continue to pay into the scheme, accruing further benefits. You can receive your pension when:

- you retire, or
- you reach the eve of your 75th birthday, or
- you have your employer's consent for flexible retirement (see flexible retirement)

whichever occurs first.

If you draw your pension after age 65, the pension you accrued prior to age 65 will be increased to reflect the fact that it will be paid for a shorter time.

Your pension has to be paid before your 75th birthday.

Points to Note

- If your pension benefits are subject to a Pension Sharing Order issued by the Court following a divorce or annulment of marriage or the making of an order for the dissolution or nullity of a civil partnership, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or agreement (see pages 27 and 28 for further details).

PROTECTION FOR YOUR FAMILY

What benefits will be paid if I die in service?

If you die in service as a member of the LGPS, subject to the qualifying conditions detailed, the benefits shown below are payable.

• A lump sum death grant

A lump sum death grant of two times your **final pay** is payable no matter how long you have been a member of the LGPS. For part-time employees, the **final pay** is not increased to its whole-time equivalent rate. Should 3/80ths of your **final pay** multiplied by your **total membership** (as increased, where applicable, in accordance with the table on page 13) be greater, this will be paid instead.

• A widow's, widower's or civil partner's pension

A short-term pension, at an annual rate equal to your **final pay**, is paid to your widow, widower or civil partner for three months immediately following your death, no matter how long you have been a member of the LGPS. If there are eligible children (any of whom are in the care of your widow, widower or civil partner) this pension is paid for six months. For part-time employees, the **final pay** is not increased to its whole-time equivalent rate.

If you should die in service having accrued two years **total membership** or if you have brought a transfer value into the LGPS, then the LGPS will also pay a long-term pension to your widow, widower or civil partner, commencing when the short-term pension ends.

For a widow whose husband had at least two years **total membership**, the long-term pension is generally half the pension her husband would have received if he had retired early due to ill health on the day he died. Where the husband had less than two years **total membership** but had transferred pension rights into the LGPS, it will be calculated as one 160th of his **final pay** for each year of **total membership**.

For a widower or civil partner, the long-term pension is calculated in the same way. However, only the deceased scheme member's **total membership** from 6th April 1988 is used in the calculation unless, in the case of a widower's pension, the deceased scheme member had opted for membership before this date to count for widower's pension purposes.

• Pensions for eligible children

Children's pensions are payable for so long as eligible children remain following your death, no matter how long you have been a member of the LGPS. Eligible children include the deceased member's legitimate, adopted or dependent children who are:

- a. under age 17, or
- b. under age 23 and, since before age 17, have been in full-time education or in training for a trade, profession or vocation, or
- c. dependent by reason of incapacity which arose whilst a child within the definition of a. or b. above

(but does not include children born 12 months or more after the member's death). The **administering authority** may, if they wish, ignore a break in training or education. This is an **administering authority discretion**: you can ask the Pensions Section what the **administering authority's** policy is on this matter.

A long term pension is payable at the rate of one quarter of your notional pension entitlement if there is one child or at the rate of one-half if there are two or more children. If no widow's, widower's or civil partner's long-term pension is payable, the pension is payable at the rate of one-third where there is one eligible child and at the rate of two-thirds where there is more than one eligible child. The pension may be reduced if a child is receiving pay over and above a set level while in full-time training for a trade, profession or vocation.

Your notional pension entitlement is calculated by reference to the lesser of the **total membership** you would otherwise have accrued by age 65, or 10 years. If at the date of death you have already accrued five or more years **total membership** and you had not previously retired from the LGPS on health grounds, the notional amount will, if higher, be calculated by reference to the **total membership** you would have if you had retired due to ill health.

Normally, payment of the children's long-term pension will commence when the widow's, widower's or civil partner's short-term pension ceases. If no widow's, widower's or civil partner's short-term pension is payable, however, a children's short-term pension, equal to the amount that would have been paid to a widow, widower or civil partner, is paid for six months. If the children are not in the care of the surviving spouse or civil partner,

Additional membership purchased counts towards the minimum **total membership** levels required by the LGPS for entitlement to a benefit and counts in working out the amount of your benefits.

If you draw your benefits on flexible retirement (see pages 15 and 16) you will, unless you opt to stop paying before you take flexible retirement, continue to pay for any additional membership you are purchasing. The benefits from the additional membership will not be paid until you finally retire, unless you have opted to stop paying the additional contributions before you take flexible retirement.

If you leave (other than on the grounds of permanent ill health) before completion of the contract to purchase additional years of membership you will be credited with the proportion purchased to the date of cessation but if you change LGPS employer you may be able to continue paying the additional contributions.

Should you be retired on grounds of permanent ill health or die in service while paying additional contributions to increase your membership, the contributions will be deemed to be fully paid. This means that the full amount of additional membership being purchased will be used in the calculation of the benefits.

You may choose to cease paying additional contributions at any time by giving written notice of your wish to do so to your **administering authority** and to your employer. Again you will be credited with the proportion purchased to the date of cessation.

- **make an additional voluntary contributions (AVC) arrangement.**

If you choose to pay into an AVC arrangement, the contributions you make to it are invested separately, in funds managed by an insurance company or building society. You have your own personal account that, over time, builds up with your contributions and the returns on your investment.

Payments commence from the next available pay day after your election has been accepted and you may cease payment at any time whilst you are contributing to the LGPS.

You may transfer any previously accrued free standing AVCs and in house AVC funds to an in house AVC scheme at any time while you are a contributing member of the LGPS.

At retirement the accumulated fund in your account is used to buy you an annuity from an insurance company, bank or building society (but you can defer purchasing an annuity until the eve of your 75th birthday at the latest). If you carry on contributing to the LGPS beyond age 65 you will not be able to purchase an annuity until

- you retire, or
- you reach the eve of your 75th birthday

whichever occurs first.

An annuity is a fixed amount of additional pension benefit, although you may be able to choose to include guaranteed annual increases and dependants' benefits.

Annuities are subject to annuity rates which in turn are affected by interest rates. When interest rates rise, the organisation selling annuities is able to obtain a greater income from each pound in your AVC fund, and therefore can provide a higher pension. Conversely a fall in interest rates reduces the pension which can be purchased.

Alternatively, upon leaving the LGPS with an immediate payment of pension benefits you will be able to use the accumulated fund in your AVC account to buy a top-up pension from the LGPS or use part to buy a top-up pension from the LGPS and part to purchase an annuity. The top-up pension from the LGPS will provide an inflation proofed pension and dependants' benefits.

At retirement, you may elect to take up to 100% of the accumulated fund in your in house AVC as a tax free lump sum if you draw it at the same time as your LGPS pension benefits, provided when added to the LGPS lump sum it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund) or, if less, 25% of the **lifetime allowance** less an adjustment for the value of any other pension benefits you are already drawing. If you defer drawing your AVC, you can draw up to 25% of the value of your AVC fund as a tax free lump sum at the time you decide to take benefits from your AVC fund.

In certain circumstances, such as retirement on ill health grounds or cessation of payment of AVCs before retirement, the LGPS makes provision for AVCs to be converted into LGPS membership provided you commenced payment of the AVCs prior to 30 June 2005.

Further information is available from the Pensions Section.

You can also pay AVCs to increase your death in service lump sum cover over and above the two times **final pay** provided by the LGPS, or to provide additional dependants' benefits.

- **repay a previous refund of LGPS contributions.**

If you ceased Local Government employment between 16th May 1974 and 5th April 1978 with less than five years membership in the LGPS and you claimed a refund of contributions, you may repay the refund plus interest. The repayment must be made within six months of re-joining the LGPS, or such longer period as your current and former **administering authority** may allow. This is an **administering authority discretion**: you can ask the Pensions Section what the **administering authority's** policy is on this matter. Once the repayment has been made, the period of membership will again count for pension purposes.

- **contribute to a concurrent personal pension plan or stakeholder pension scheme**

You may, if you wish, be a member of the LGPS and make your own arrangements to pay contributions from the same earnings to a personal pension plan or stakeholder pension scheme.

If you choose to also pay into a personal pension plan or stakeholder pension scheme, the contributions you make to it are invested in funds managed by an insurance company. You have your own personal account that, over time, builds up with your contributions and the returns on your investment. When the benefits become payable, up to 25% of the accumulated fund in your account can be taken as a tax free lump sum or, if less, 25% of the **lifetime allowance** less an adjustment for the value of any other pension benefits you are already drawing. The balance is used to buy you an annuity from an insurance company, bank or building society (but you can defer purchasing an annuity until the day before your 75th birthday at the latest). An annuity is a fixed amount of additional pension benefit, although you may be able to choose to include guaranteed annual increases and dependants' benefits.

Annuities are subject to annuity rates which in turn are affected by interest rates. When interest rates rise, the organisation selling annuities is able to obtain a greater income from each pound in your personal pension or stakeholder fund, and therefore can provide a higher pension. Conversely a fall in interest rates reduces the pension which can be purchased.

Points to Note

- From 6 April 2006 you can, if you wish, pay up to 100% of your total taxable earnings in any one tax year (or £3,600 if greater) into any number of concurrent pension arrangements of your choice and be eligible for tax relief on those contributions. There are controls on the pension savings you can have before you become subject to a tax charge – see page 6 for further details.

- If your pension benefits are subject to a Pension Sharing Order issued by the Court following a divorce or annulment of marriage or the making of an order for the dissolution or nullity of a civil partnership, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or agreement. In consequence, if you have deferred benefits and you remarry or enter into a new civil partnership, any spouse's or civil partner's pension payable following your death will also be reduced (see 27 and 28 for further details) but benefits payable to eligible children will not be reduced because of a pension share.
- Further information on the options available on leaving the LGPS will be sent to you on leaving.

OPTING-OUT OF THE LGPS

Can I opt-out of the LGPS?

You can leave the LGPS at any time by giving your employer notice in writing. An election to opt-out becomes effective from the end of the payment period during which you gave notification, unless your notification specifies a date later than the date the notification was made. You are recommended to obtain advice before opting-out of the LGPS.

If you opt-out the same options are available to you as detailed in the section on Leaving your Present Job before Retirement.

Can I re-join the LGPS at a later date?

If you opt-out once, you can re-join the LGPS at any time.

If you opt-out of the LGPS more than once, unless you elect to re-join the Scheme within three months of commencing work with a new employer, you will only be allowed to re-join at the **discretion** of your employer. You can ask the Pensions Section what your employer's policy is on this matter.

Points to Note

- You may wish to obtain independent financial advice before you make a decision to opt-out of the LGPS.

SOME OTHER LGPS PROVISIONS

The LGPS requires your **administering authority** to:

- pay interest on lump sum benefits that are paid more than one month after they should have been paid.
- pay interest on pensions that are paid more than a year after they should have been paid.
- pay interest on refunds of contributions that are paid more than a year after the date you left the LGPS.
- compare any benefits accrued up to 31 March 1998 to those that would have been payable under the 1987 Local Government Superannuation (Scotland) Regulations and increase them if this is better, provided you have been a member of the LGPS continuously since before 1st April 1998.
- issue annual benefit statements to active and deferred members.

The LGPS allows your **administering authority** to:

- commute small pensions into single lump sum payments. The circumstances where this may happen are restrictive, particularly if you have other pension benefits.

The LGPS allows your employer to:

- increase your **total membership** at any time you are contributing to the LGPS. Your employer's policy in relation to this **discretion** must be included in their **Policy Statement**.
- reduce pension benefits if a LGPS member ceases to be employed as a result of a criminal, negligent or fraudulent act, or omission.
- forfeit a LGPS member's pension rights if the Scottish Ministers agree and the member has been convicted of a serious offence connected with their employment.

The LGPS does not allow you to:

- assign your benefits. Your LGPS benefits are strictly personal and cannot be assigned to anyone else or used as security for a loan.

PENSIONS AND DIVORCE OR DISSOLUTION OF A CIVIL PARTNERSHIP

Under the LGPS, if you get divorced or a civil partnership is dissolved, you may wish to note that:

- your ex-wife, ex-husband or ex-civil partner will cease to be entitled to a widow's, widower's or civil partner's pension should you predecease them.
- any children's pension payable in the event of your death will not be affected by your divorce or dissolution.
- if you nominated your ex-wife, ex-husband or ex-civil partner to receive any death grant payable, your nomination will remain in force until you either change it or you remarry or enter into a new civil partnership. The Court may, however, issue an Earmarking Order stating that all or part of any lump sum death grant is payable to your ex-spouse or ex-civil partner.

You should also note that in proceedings for divorce, judicial separation or nullity of marriage, or for dissolution, separation or nullity of a civil partnership, you will be required to obtain the cash equivalent value of your pension rights from the **administering authority** which the Court will take into account in the divorce or dissolution settlement. In Scottish divorces / dissolutions, only the pension rights built up during the period of the marriage / civil partnership are taken into account.

The Court may offset the value of your pension rights against your other assets in the divorce / dissolution settlement or it may issue a Pension Sharing Order or an Earmarking Order against your pension.

If the Court issues an Earmarking Order, the Order may require that when your benefits come into payment your ex-spouse / ex-civil partner should receive one, or a combination, of the following benefits:

- all, or part, of your pension (this does not apply in Scotland)
- all, or part, of your lump sum retirement grant
- all, or part, of any lump sum paid in the event of your death.

An Earmarking Order against pension payments, but not lump sums (unless the Order directs otherwise), will automatically lapse if your former spouse or civil partner remarries or enters into a new civil partnership and the full pension would be restored to you. Pension payments to your former spouse or civil partner would cease on your death.

If the Court issues a Pension Sharing Order or your benefits are subject to a qualifying agreement in Scotland, a percentage of your rights will be allocated to your ex-spouse or ex-civil partner at the point of divorce or dissolution. Your pension (and any **Guaranteed Minimum Pension**), your lump sum and the contingent spouse's / civil partner's pension, but not the contingent children's pensions, will be reduced accordingly, and your ex-spouse or ex-civil partner will hold benefits in his / her own right which can be left in the Scheme to be payable from, normally, age 65 or transferred to another qualifying pension scheme. The reduction to your benefits is known as a Pension Debit. The amount of the Pension Debit will be increased in line with the rise in the **Retail Prices Index** between the date the Debit was first calculated and the date your benefits become payable. When your benefits become payable, the revalued amount of the Pension Debit will be deducted from your retirement benefits. In assessing the value of your benefits against your **lifetime allowance** or **primary lifetime allowance protection**, the reduced value after the Pension Debit will be used, but any **primary lifetime allowance protection** will be lost if the debit reduces it to below the standard **lifetime allowance**. You may be able to purchase extra years of membership in the Scheme, pay Additional Voluntary Contributions, or contribute to a concurrent personal pension plan or stakeholder pension scheme in order to make up for the benefits 'lost' following a Pension Share.

A separate leaflet providing more information is available from the Pensions Section upon request.

All correspondence received by the Pensions Section in connection with divorce or dissolution proceedings will be acknowledged in writing. If no acknowledgement is received, you should contact the Pensions Section to ensure that your correspondence has been received.

The cost of supplying information and complying with any court order imposing obligations on the LGPS will be recovered from you and/or your ex-spouse or ex-civil partner in accordance with a schedule of charges published by the Pensions Section.

SCHEME ADMINISTRATION

Who runs the LGPS?

The LGPS is run by administering authorities, for example City Councils, in accordance with regulations approved by the Scottish Parliament. Each administers their own Fund, into which all contributions are paid. Every three years, independent actuaries carry out a valuation of each Fund and set the rate at which the participating employers must contribute to fully fund the payment of Scheme benefits for that Fund's membership.

How is the Scheme amended?

The Scheme regulations are made under the Superannuation Act 1972. Changes to the rules are discussed at national level by employee and employer representatives but can only be amended with the approval of the Scottish Parliament. Your **administering authority** must keep you informed of any changes that are made.

Are the Scheme benefits protected?

As the Scheme is set up by statute, payment of the Scheme benefits is guaranteed by law.

What other legislation applies to the Scheme?

The Scheme is a registered public service scheme under Chapter 2 of Part 4 of the Finance Act 2004. It achieved automatic registration by virtue of Part 1 of Schedule 36 of that Act (because the Scheme was, immediately before 6 April 2006, both a retirement benefits scheme approved under Chapter I of Part XIV of the Income and Corporation taxes Act 1988 and a relevant statutory scheme under section 611A of that Act). This means, for example, that you receive tax relief on your contributions. It complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004.

How can I check the accuracy of my pension records?

To maintain the security of any information about you, your **administering authority** is registered under the current Data Protection Acts. You can check that your computerised personal record is accurate, although we may charge a small fee.

What other information am I entitled to?

You are entitled to obtain a copy of the Local Government Pension Scheme (Scotland) Regulations 1998 (Statutory Instrument Number 1998 No. 366) and subsequent amendments. A current version, including all amendments, is available on the Local Government Employers' website at:

<http://www.lge.gov.uk/pensions/content/timeline.html>

A copy of the Regulations may be inspected at the offices of your **administering authority**. In addition, you are entitled to view, and take copies of, your **administering authority's** Annual Report and Accounts.

HELP WITH PENSION PROBLEMS

Who can help me if I have a query or complaint?

If you are in any doubt about your benefit entitlements, or have a problem or question about your LGPS membership or benefits, please contact the Pension Section of your **administering authority**. They will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.

If you are still dissatisfied with any decision made in relation to the Scheme you have the right to have your complaint independently reviewed under the Internal Disputes Resolution Procedure and, as the Scheme is well regulated, there are also a number of other regulatory bodies that may be able to assist you. The various procedures and bodies are detailed below.

- **Internal Disputes Resolution Procedure**

In the first instance you should write to the 'Appointed Person' at your **administering authority's** address, who will arrange for your complaint to be heard. Any complaint must be made within six months of the date of the notification of the decision about which you are complaining. Following independent review, and if you are still dissatisfied with the decision, you may apply to the Scottish Ministers to have it reconsidered. Your application to the Scottish Ministers must be made within six months of the date of the notification of the appointed person's decision, which will include a contact address.

A leaflet explaining the Internal Disputes Resolution Procedure in detail is available on request from the Pension Section.

To avoid any unnecessary effort on your behalf we would welcome the opportunity to attempt to resolve with you the matter with which you are dissatisfied before you resort to a formal complaint.

- **The Pensions Advisory Service (TPAS)**

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with any pensions query they may have or any difficulty which they cannot resolve with their scheme administrators. TPAS can be contacted at:

11 Belgrave Road
London
SW1V 1RB
Telephone 0845 601 2923

- **Pensions Ombudsman**

In cases where a complaint or dispute cannot be resolved after the intervention of TPAS, an application can be made, within three years of the event, to the Pensions Ombudsman for an adjudication. The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme or matters of fact or law and his or her decision is final and binding. Matters where legal proceedings have already started cannot be investigated. The Pensions Ombudsman can be contacted at:

11 Belgrave Road
London
SW1V 1RB
Telephone 0207 834 9144

- **The Pensions Regulator**

From April 2005, the Pensions Regulator replaces the Occupational Pensions Regulatory Authority (OPRA) as the regulator of work-based pension schemes. The Pensions Regulator has powers to protect members of work-based pension schemes and a wide range of powers to help put matters right, where needed. In extreme cases, the regulator is able to fine trustees or employers, and remove trustees from a scheme. You can contact the Pensions Regulator at:

Napier House
Trafalgar Place
Brighton
BN1 4DW
Telephone 0870 6063636

How can I trace my pension rights?

The Pension Tracing Service holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their dependants), who have lost touch with previous employers. All occupational and personal pension schemes have to register if the pension scheme has current members contributing into their scheme or people expecting benefits from the scheme. If you need to use this tracing service please write to:

The Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA
Telephone 0845 6002 537

Also, don't forget to keep your pension providers up to date with any change in your home address.

PENSION TERMS DEFINED

Administering authority

Please see the section entitled Who runs the LGPS? on page 28.

Annual Allowance

This is the amount by which the value of your pension benefits may increase in any one year (disregarding the year that that all your benefits become payable) without having to pay income tax at 40% on the excess. The **annual allowance** is set by the Treasury and for 2006/2007 is £215,000. Most scheme members will not be affected by the **annual allowance**. For calculating the increase in value of your LGPS benefits, the first year runs from 6 April 2006 to 31 March 2007; subsequent years run from 1 April to 31 March. If you exceed the **annual allowance** in any year you are responsible for reporting this to HM Revenue and Customs on your Self-assessment tax return and for paying the annual allowance tax charge. The Pensions Section will be able to give you the information you require on the increase in the value of your LGPS benefits including any additional voluntary contribution (AVC) arrangement you may have. The assessment covers any pension benefits you may have in all tax-registered pension arrangements – not just the LGPS.

Please note, however, that the annual allowance tax charge will not apply if you have registered to have **enhanced protection** (but only if you keep enhanced protection throughout the relevant tax year).

Civil Partnership

A civil partnership is a relationship between two people of the same sex ("civil partners") which is formed when they register as civil partners of each other.

Contracted-out

The LGPS is **contracted-out** of the State Second Pension Scheme (S2P). This means that, up to **State pension age**, you pay reduced National Insurance contributions between the **Lower and Upper Earnings Limits**, unless you have opted to pay the married woman's/widow's reduced rate of National Insurance, and that you do not earn a pension under S2P. Instead, the LGPS must guarantee to pay you a pension that in general is as high as you would have earned had you been in the **State Earnings Related Pension Scheme / S2P**. For **contracted-out** membership on and between 6th April 1978 and 5th April 1997, this is dealt with in the section entitled **Guaranteed Minimum Pension** on page 32. For membership after 5th April 1997, the LGPS has guaranteed that the benefits it provides will, in general, be no less favourable than those provided under a Reference Scheme prescribed under the Pensions Act 1995.

Discretion

This is the power given by the LGPS to enable your employer or your **administering authority** to choose how they will apply the Scheme in respect of certain of its provisions. Under the LGPS your employer or your **administering authority** are obliged to consider certain of these discretionary provisions and to pass resolutions to form a policy of how they will apply the provision. In respect of the remaining discretionary provisions they are advised to do so. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review. You may ask the Pensions Section what your employer's and the administering authority's policy is in relation to a **discretion**. See also '**Policy Statement**' on page 33.

Enhanced protection

See under **Primary Lifetime Allowance Protection** on page 33.

Final pay

This is the figure used to calculate most of your pension benefits and is normally your **pay** in the last year before you retire, or one of the previous two years' **pay** if that amount is higher. For a part-time employee, the figure used is normally the **pay** you would have received if you had worked whole-time. If your **pay** is reduced because of sickness, the **final pay** is taken to be the **pay** you would have received if you had not been sick. During any period

of maternity, paternity or adoption leave in respect of which you pay (or are deemed to have paid) pension contributions, **final pay** includes the **pay** you would have received had you not been on maternity, paternity or adoption leave. If a Certificate of Protection has been issued please refer to page 10. Should you reach age 65 and continue in employment please refer to page 16.

Guaranteed Minimum Pension (GMP)

This is the minimum pension that the LGPS must pay you in relation to the period that you were a member of the LGPS on and between 6th April 1978 and 5th April 1997. It is calculated by reference to the **State Earnings Related Pension Scheme** entitlement that you would have earned if you not been a member of the LGPS during this period.

If your pension benefits are subject to a Pension Sharing Order issued by the Court following a divorce or annulment of marriage or the dissolution or nullity of a civil partnership, or they are subject to a qualifying agreement in Scotland, your GMP will be reduced in accordance with the Court Order or agreement (see pages 27 and 28 for further details).

Lifetime Allowance

This is the total capital value of all pension benefits you can have without triggering an excess benefits tax charge. If the value of your pension benefits when you draw them (not including any state retirement pension, state pension credit or any spouse's, civil partner's or dependant's pension you may be entitled to) is more than the **lifetime allowance**, or more than any **primary lifetime allowance protection** or **enhanced protection** you may have, you will have to pay tax on the excess benefits. The **lifetime allowance** is set by the Treasury and for 2006/2007 is £1.5million. The **lifetime allowance** covers any pension benefits you may have in all tax-registered pension arrangements – not just the LGPS. Most scheme members pension savings will be significantly less than the **lifetime allowance**.

When any LGPS benefit, or any other pension arrangement you may have, is brought into payment you use up some of your **lifetime allowance** – so even if your pensions are small and will not exceed the **lifetime allowance** you should keep a record of any pensions you receive. If you have a pension in payment before 6 April 2006, this will be treated as having used up part of your **lifetime allowance**.

When you draw your LGPS pension your **administering authority** will ask you for the percentage of the **lifetime allowance** that has been used up by any pensions you already have in payment, and any benefits you are about to take in other schemes. If you do not provide this information promptly it could delay the payment of your pension.

If your LGPS benefits exceed your **lifetime allowance**, or your **primary lifetime allowance protection** or **enhanced protection**, a recovery tax charge will be made against the excess. The charge on excess benefits paid as a pension will be 25%, with income tax deducted thereafter; excess benefits taken as a lump sum will be taxed once only at 55%.

Lower Earnings Limit

This is the amount of pay that you can receive before you pay any National Insurance contributions. The **Lower Earnings Limit** for 2006/2007 is £84 per week or £364 per month. It is usually increased annually by Parliament.

Pay

This is your normal salary or wages plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay, and any other taxable benefit specified in your contract as being pensionable. **Pay** does not

include non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

Policy Statement

This is a statement that your employer and your **administering authority** must produce, setting out the policies that they have resolved to follow in exercising certain **discretions** under the LGPS. Other discretions may also be included. You should be notified of the policies contained on the Statement and where changes are made, you should be notified within one month of the change occurring. You may ask the Pensions Section for the latest copy of your employer's and administering authority's **Policy Statements**.

Primary lifetime allowance protection and enhanced protection

Primary protection is aimed at protecting benefits earned up to 5 April 2006 in respect of those high earners affected by the introduction of the **lifetime allowance** from 6 April 2006. Under HM Revenue and Customs rules, if the value of your pension benefits exceeds the **lifetime allowance** by 5 April 2006, you can register for **primary protection** so that you have an individual **lifetime allowance** based on how much your benefits at 5 April 2006 exceed the value of the standard **lifetime allowance**. Your individual lifetime allowance increases at the same rate as the standard **lifetime allowance**. You can also register for **enhanced protection**, as well as **primary protection**, if the value of your pension benefits exceeds the **lifetime allowance** by 5 April 2006, or you can register for **enhanced protection** if you believe they may do so in the future. Under **enhanced protection** you do not pay tax on benefits in excess of the **lifetime allowance** provided your benefits at 5 April 2006 have not increased since then beyond certain limits (in general terms, by more than the greater of 5% per annum, the increase in the Retail Price Index or increases in your pensionable pay). If the limit is exceeded you will pay tax on the excess. You will lose **enhanced protection** if you pay contributions into a money purchase pension arrangement (e.g. pay into the LGPS in house AVC facility¹) or if you start a new pension arrangement, or if you transfer your LGPS benefits to another defined benefit pension scheme. You can also voluntarily give up **enhanced protection** by giving notice that you no longer wish to keep it.

If you lose **enhanced protection** you must notify HM Revenue and Customs within 90 days. Failure to do so could result in a fine of up to £30,000.

You have to register with HM Revenue and Customs by 5 April 2009 if you wish to obtain **primary** or **enhanced protection**. The relevant forms are available at: <http://www.hmrc.gov.uk/pensionschemes/protection.htm>

Protected member

If you were contributing to the Scheme on 30 November 2006 you may have protected rights regarding early payment of your benefits.

- **If you will be age 60 or over by 31 March 2020** and choose to retire before age 65 (with employer's consent if taking flexible retirement or if retiring before age 60) you may have some protection from the reductions applied to benefits voluntarily drawn before age 65, as explained below:

- If you satisfy the 85 year rule when you start to draw your pension, the benefits you have accrued up to 31 March 2020 will not be reduced. However, the benefits built up after 31 March 2020 will be

¹A provision in the Finance Bill 2006 will ensure that those with enhanced protection will not lose it if they are paying AVCs at 5 April 2006 purely for extra life assurance cover and carry on doing so after that date provided the benefits remain those that would have been payable under the policy at 5 April 2006 e.g. the member does not adjust the premiums to purchase increased life assurance cover.

reduced by the factor shown in the table on page 14 which relates to the number of years the benefits are being paid earlier than age 65.

- ~ If you do not satisfy the 85 year rule when you start to draw your pension, but would have satisfied the rule if you had remained in employment until age 65, the calculation of your benefits is split into two parts. Firstly, all the benefits you have built up in the Scheme up to 31 March 2020 will be reduced by the factor shown in the table on page 14 which relates to the number of years the benefits are being paid earlier than the date you would have met the 85 year rule. Secondly, any benefits you have built up in the Scheme after 31 March 2020 will be reduced by the appropriate factor shown in the table on page 14 which relates to the number of years the benefits are being paid earlier than age 65.
- ~ If you do not satisfy the 85 years rule when you start to draw your pension, and would not have satisfied the rule if you had remained in employment until age 65, all the benefits you have built up in the Scheme will be reduced by the appropriate factor shown in the table on page 14 which relates to the number of years the benefits are being paid earlier than age 65.

- **If you will be under age 60 by 31 March 2020** and choose to retire before age 65 (with employer's consent if taking flexible retirement or if retiring before age 60) you may have some protection from the reductions applied to benefits voluntarily drawn before age 65, as explained below:

- ~ If you satisfy the 85 year rule when you start to draw your pension, the benefits you have accrued up to 31 March 2008 will not be reduced. However, the benefits built up after 31 March 2008 will be reduced by the factor shown in the table on page 14 which relates to the number of years the benefits are being paid earlier than age 65.
- ~ If you do not satisfy the 85 year rule when you start to draw your pension, but would have satisfied the rule if you had remained in employment until age 65, the calculation of your benefits is split into two parts. Firstly, all the benefits you have built up in the Scheme up to 31 March 2008 will be reduced by the factor shown in the table on page 14 which relates to the number of years the benefits are being paid earlier than the date you would have met the 85 year rule. Secondly, any benefits you have built up in the Scheme after 31 March 2008 will be reduced by the appropriate factor shown in the table on page 14 which relates to the number of years the benefits are being paid earlier than age 65.
- ~ If you do not satisfy the 85 year rule when you start to draw your pension, and would not have satisfied the rule if you had remained in employment until age 65, all the benefits you have built up in the Scheme will be reduced by the appropriate factor shown in the table on page 14 which relates to the number of years the benefits are being paid earlier than age 65.

How do I know if I will satisfy the 85 year rule?

The rule is satisfied if your membership (as defined below) and age (each in whole years) adds up to 85.

Membership that counts in working out the 85 year rule

- ~ the number of years that you have been a LGPS member as an employee (with part time employment counting at full calendar length) plus, for deferred benefits, the period between the date of leaving and the date benefits are to be brought into payment, but excluding any membership in respect of which you are already in receipt of a Local Government pension or in respect of which you hold an earlier Local Government deferred pension.
- ~ provided you were contributing to the LGPS on 30 November 2006, the number of years purchased by a transfer into the LGPS from a previous employer's pension plan (or, if you were contributing to the LGPS on 31 March 1998 and were still contributing on 30 November 2006, the number of years

actually served in that plan provided the membership credit in the LGPS was awarded before 1 April 2008.

- ~ provided you were contributing to the LGPS on 30 November 2006, the number of years purchased by a transfer into the LGPS from a stakeholder pension scheme or a personal pension plan
- ~ any additional years of membership that you have bought where the date you elected to start paying extra contributions was before 1 December 2006
- ~ provided you were contributing to the LGPS on 30 November 2006, any additional years of membership which have been granted to you by your employer before 1 April 2008.
- ~ any additional years of membership purchased by converting AVCs into a period of membership

Note: if you joined the LGPS prior to 1 April 1998 and the date you would have achieved 25 years membership falls before the date you would have achieved the 85 year rule, the earlier date will be used when assessing the amount of the reduction to be applied to the early payment of your benefits. This will result in a smaller reduction to your benefits.

Retail Prices Index

This shows the changes in the cost of living. It reflects the movement of prices covering a range of goods and services over time. The amount by which pensions are increased annually is based on movement in the **Retail Prices Index** during the 12 months to September.

State Earnings Related Pension Scheme (SERPS)

The State Earnings Related Pension Scheme (SERPS) is an earnings-related element of the State Scheme. Benefits are paid by the Department for Work and Pensions (the old DSS) and are based upon any National Insurance contributions you paid between the **Lower** and **Upper Earnings Limits** between 6 April 1978 and 5 April 2002 (with a maximum of 20 years counting). Benefits cannot be paid before **State pension age**, and have been reduced for people who retire after 1998.

State pension age

This is currently age 65 for men and 60 for women, but from 2010 will change for women as shown in the table below, so that by 2020 **State pension age** will have been equalised at age 65.

Date of Birth	State Pension Age
Before 6th April 1950	60
6th April 1950 - 5th April 1951	Between 60 & 61
6th April 1951 - 5th April 1952	Between 61 & 62
6th April 1952 - 5th April 1953	Between 62 & 63
6th April 1953 - 5th April 1954	Between 63 & 64
6th April 1954 - 5th April 1955	Between 64 & 65
After 5th April 1955	65

Total membership

This is the amount of membership that counts, as detailed below, for:

- **working out whether you are entitled to a benefit**
 - ~ the number of years and days that you have been a LGPS member (at full calendar length for part-time employment).

- ~ any membership transferred from a previous employer's pension plan into the LGPS (normally at the actual length served in that plan, but only at the length of membership purchased for the purposes of determining entitlement to an ill health pension).
- ~ the number of years and days purchased by a transfer into the LGPS from a personal pension plan or stakeholder pension scheme.
- ~ any part-time employment prior to joining the LGPS which you have been allowed to count (at full calendar length).
- ~ any membership in respect of which you are already in receipt of a Local Government pension or in respect of which you hold an earlier Local Government deferred pension.
- ~ any additional years of membership purchased by you or purchased by converting AVCs into a period of membership.
- ~ it does not include any additional years of membership which have been granted to you by your employer.

- **working out the amount of your personal benefits**

- ~ the number of years and days that you have been a LGPS member (with part-time employment reduced to its whole-time equivalent length) but excluding any membership in respect of which you are already in receipt of a Local Government pension or in respect of which you hold an earlier Local Government deferred pension
- ~ the number of years and days purchased by a transfer into the LGPS from a previous employer's pension plan, a personal pension plan or a stakeholder pension scheme.
- ~ any additional years of membership that you have bought or which have been granted to you by your employer. If you elected to buy additional LGPS membership prior to 1 December 2006 and were age 45 or over on the first day of the earliest period of membership you can count in the LGPS that additional membership will not count towards lump sum calculations following normal or voluntary retirement. In this case each additional year purchased, or granted by the employer, will count at 1/60th instead of 1/80th in the calculation of your pension.
- ~ any additional years of membership purchased by converting AVCs into a period of membership.
- ~ any membership granted by way of ill health enhancement (see page 13).

Upper Earnings Limit

This is the amount of pay beyond which you cease to pay the full, **contracted-out**, rate of National Insurance contributions. The **Upper Earnings Limit** for 2006/2007 is £645 per week or £2,795 per month. It is usually increased annually by Parliament. On earnings above the **Upper Earnings Limit** you only pay a 1% National Insurance contribution.