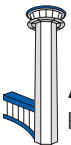




ABERDEEN CITY COUNCIL

PENSION FUND

Information Sheet



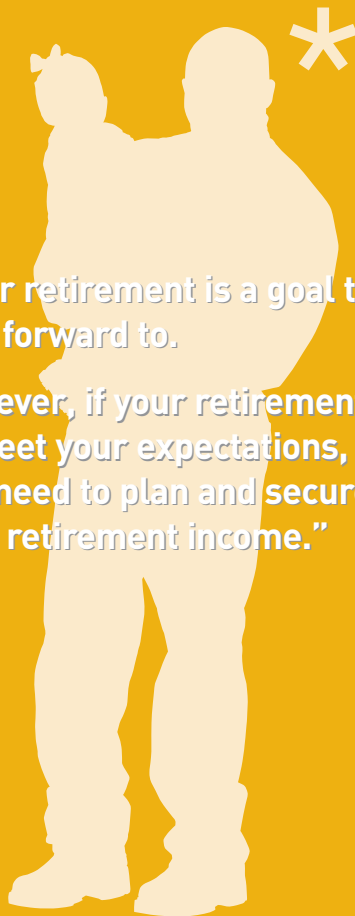
Aberdeen City Council
Pension Fund

***A GUIDE
TO THE LOCAL GOVERNMENT PENSION SCHEME
FOR COUNCILLORS IN SCOTLAND**

Administered by Aberdeen City Council

“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 FOR COUNCILLORS IN SCOTLAND

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. The booklet was up-to-date at the time of publication in May 2007. It is for general use and cannot cover every personal circumstance. 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 29 to 34 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 by an occupational Pension Scheme such as the Local Government Pension Scheme. These are described briefly below.

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 **career average pay**
- the ability to increase your pension by paying extra contributions
- voluntary retirement from age 60
- retirement from age 50 with your authority's consent
- an ill health pension from any age
- a death in service lump sum of two times **career average 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 up to **State pension age**, you will 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 Councillors elected to a local authority in Scotland, including such a Councillor when exercising functions as a convenor or vice-convenor of a joint board. You cannot join the scheme on or after the eve of your 75th birthday. It is for you to decide whether or not to opt to join the Scheme. If you make an election to do so you will become a member of the LGPS from the beginning of the first pay period following the receipt of your option (but see the special rules for previous optants out on page 24).

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

To secure your entitlement to the Scheme benefits, it is important that you complete and return the joining form if you wish to opt into membership of the scheme. 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 remuneration payments 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 your earnings as a Councillor.

You can, if you wish, pay up to 100% of your taxable earnings in any one tax year (or £3,600 if greater) into any number of 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.

Contributions

What do I pay?

Your contribution is 6% of 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.

What does the Council pay?

The Council 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 the Council 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 the Council 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 **pay** 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.

Can I make extra contributions to increase my benefits?

Members are able to increase their benefits by paying additional contributions to buy extra pension in 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 17 to 20.

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. 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 my current LGPS fund from a previous pension scheme?

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

- 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 pension rights into the LGPS from a previous LGPS fund or benefits 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 for a transfer of pension rights a sum of money is offered to buy a membership credit in the LGPS. Such a transfer may not always be advantageous. 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 the Council allows. This is a Council discretion; you can ask the Pensions Section for a copy of the Council'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 the LGPS in house AVC scheme at any time while you are a contributing member of the LGPS. Further information about AVCs is provided on pages 18 and 19.

Points to Note

- Your **administering authority** may decline to accept a transfer.
- If you have a deferred benefit from a previous period of councillor membership in the same LGPS fund you may opt to aggregate the earlier membership with the current period of Councillor membership.

RETIREMENT BENEFITS

When can I retire?

You can retire and receive your LGPS benefits in full once you have attained 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 and Early Retirement on pages 11 to 13.

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 33.

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.

How much will my pension be?

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

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 **career average pay** and your **total membership**. The calculation for the lump sum is 3/80ths of your **career average pay** for every year of total membership. 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 10.

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 **career average 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:

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

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

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 9 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.

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.

Your **Administering Authority** 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, members pensions in payment 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 12 regarding the increasing of ill health pensions.).

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 25 and 26 for further details).
- If you decide to pay additional contributions to buy extra pension or make payments for earlier councillor service between 1st January 1995 and 3rd May 2007 to count, your pension and lump sum will be increased accordingly (see pages 17 and 18).

- 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, after retiring, you return to employment within Local Government or employment with another organisation that participates in the LGPS, your pension may be reduced or suspended in accordance with the policy adopted 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**.

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 perform the duties of your office efficiently because of ill health or infirmity of mind or body, you will receive your pension and lump sum immediately. The medical practitioner must be qualified in occupational health and must not have previously been involved in your case.

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**, 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 overleaf.

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 year's **total membership** and have not brought a transfer value into the LGPS you will be entitled to a refund of your contributions.

If you have one or more but less than two year's **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 **career average 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 25 and 26 for further details).
- 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, upon retirement from office at any time on or after age 60, elect, in writing to your Council to receive your LGPS benefits.

Also, upon retirement from office between and including the ages of 50 and 59 you may elect to receive your LGPS benefits, but only if your Council gives their consent. This is a Council **discretion** and under the LGPS your Council'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 retire and elect to receive benefits 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 %
	Male	Female	All Members
1	6	5	2
2	11	10	5
3	16	15	7
4	20	19	9
5	24	23	12

Your Council may determine on compassionate grounds not to apply any reduction. This is a Council **discretion**; you can ask your Council 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 21.

Points to Note

- If your Council gives consent to immediate early retirement benefits 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 the benefits are paid 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.
- 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 25 and 26 for further details).

LATE RETIREMENT

What if I carry on working after age 65?

If you carry on in office after age 65 you will continue to pay into the scheme, accruing further benefits. You can receive your pension when you retire, or when you reach the eve of your 75th birthday, 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 25 and 26 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 **career average pay** is payable no matter how long you have been a member of the LGPS

- **A widow's, widower's or civil partner's pension**

A short-term pension, at an annual rate equal to your **career average 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.

If you should die in service the LGPS will also pay a long-term pension to your widow, widower or civil partner commencing when the short-term pension ends.

If you have at least two years **total membership** the long-term pension is generally half the pension you would have received if you had retired early due to ill health on the date of death. If you have less than two years **total membership**, it will be calculated as one 160th of your **career average pay** for each year of **total membership**.

- **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 your **Administering authority** what their 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**, the notional amount will, if higher, be calculated by reference to the **total membership** you would have had 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, a children's short term pension is paid for three months. In both cases, commencement of the children's long-term pension is normally deferred until the short-term pension ceases.

What benefits will be paid if I die after retiring on pension?

If you die after retiring on pension, your benefits will no longer be payable. Your widow, widower, civil partner, next-of-kin or person dealing with your Estate must immediately inform the Pension Section of the **administering authority** whose address is given on the inside front cover of this booklet of your date of death as otherwise an overpayment could occur.

The following benefits may then be payable:

- **A lump sum death grant**

A lump sum death grant will be payable if the death occurs in the first five years on pension and is the amount by which the annual pension multiplied by five exceeds the pension paid to you up to the date of death

- **A widow's, widower's or civil partner's pension**

A widow, widower or civil partner will receive a short-term pension for the three months following your death, or six months if one or more eligible dependent children are in the widow's, widower's or civil partner's care. This will be equal to the pension you were receiving or would have received but for a reduction as a result of early retirement or had it not been paid as a lump sum due to exceptional ill health. After that the widow, widower or civil partner will receive a long-term pension generally equal to half the pension you were receiving or would have received but for a reduction as a result of early retirement or, as a result of an exchange of pension for an increased lump sum, or had it not been paid as a lump sum due to exceptional ill health.

- **Pensions for eligible children**

Children's pensions are payable for so long as eligible children remain following your death, as detailed on page 15. The pension is not calculated, however, against a notional entitlement. It is calculated instead against the pension you were receiving at the date of your death or would have received but for a reduction as a result of early retirement, or as a result of an exchange of pension for an increased lump sum, or had it not been paid as a lump sum due to exceptional ill health. If your pension was originally calculated on a **total membership** of less than the shorter of ten years or the amount you could have accrued had you continued working to age 65, this amount is used to increase your pension for the purpose of calculating the children's pension only.

Points to Note

- Your **administering authority** has the **discretion** to pay the lump sum death grant to your nominee or executors or any person who appears, at any time, to have been your relative or dependant. If any part of the death grant has not been paid by the second anniversary of your death, it must be paid to your executors, i.e. to your Estate. If you have not already made your wishes known, or you wish to change a previous nomination, an expression of wish form is available from your **Administering Authority**. Any nomination made ceases to have effect if the member subsequently marries or enters into a civil partnership.
- Your executors will be required to determine whether, with the lump sum death grant, the capital value of your overall pension benefits (not including any spouse's, civil partner's or dependant's pensions) exceeds the **lifetime allowance** (or **primary lifetime allowance protection** if you have opted for it). Under HM Revenue and Customs rules, any excess will be subject to a recovery tax charge. Most scheme members pension savings will be significantly less than the **lifetime allowance**.

- Widow's, widower's, civil partner's and children's pensions are increased each year in line with the **Retail Prices Index** regardless of age.
- Widow's, widower's and civil partner's pensions are payable for life even if your widow, widower or civil partner remarries, enters into a new civil partnership or cohabits.
- 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 remarry or enter into a new civil partnership, any spouse's pension or civil partner's pension payable following your death will also be reduced (see pages 25 and 26 for further details). Benefits payable to eligible children will not, however, be reduced because of a pension share.

INCREASING YOUR BENEFITS

How can I increase my benefits?

To increase the value of the benefits that you and your dependants receive, you may:

- **Pay additional LGPS contributions to buy an increased pension**

This option allows you to buy up to £5,000 of extra LGPS pension.

This will provide you with an additional pension payable for life and a lump sum equal to three times the initial rate of pension. The pension will be indexed in line with inflation from the date your additional contributions commenced. You may be able to commute your extra pension to provide a larger lump sum (see page 10)

Additional contributions start on your birthday following your election to buy extra pension and are calculated so as to cease on the day before your 65th birthday. An election to buy extra pension has to be made to your **administering authority** before your 64th birthday.

If you leave before completing a contract to buy extra pension, your pension will be increased by the amount you have bought to the date of leaving.

Should you be retired on grounds of permanent ill health or die in service while paying additional contributions to buy extra pension and you provided a satisfactory medical report at the time you made your election to buy extra pension, the full amount of extra pension you are purchasing will be used in the calculation of benefits under the Scheme.

- **Make payments to buy earlier Councillor service**

If you were elected as a Councillor at the ordinary election on 3rd May 2007 and you had previously been a Councillor for one or more periods between 1st January 1995 and 3rd May 2007, you can make payments to buy additional LGPS pension in respect of all or part of this earlier service. An election to make

such payments must be made to your **administering authority** by 2nd May 2008.

This will provide you with an additional pension payable for life and a lump sum equal to three times the initial rate of pension. The pension will be indexed in line with inflation from the date payments commenced. You may be able to commute your extra pension to provide a larger lump sum, (see page 10).

Payment can be made by lump sum or, if you are under age 64 at the date of election, you can pay by instalments spread over a maximum of 5 years of the period to age 65, whichever is the shorter.

If you leave (other than on the grounds of permanent ill health) before completion of your payments you can elect to pay the balance of any instalments due within 3 months of leaving. If you decide not to pay the balance, you will be credited with the proportion of additional pension in respect of earlier Councillor service you have paid for to the date of leaving.

Should you be retired on grounds of permanent ill health or die in service while making payments in respect of earlier Councillor service, the full amount of additional pension in respect of the earlier service you are paying for will be used in the calculation of benefits under the Scheme

You can cease payment of instalments on grounds of financial hardship provided your **administering authority** agrees. In these circumstances you will be credited with the proportion of additional pension in respect of the earlier Councillor service you have paid for to the date you stop paying the contributions.

- **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 the LGPS 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 day before 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 automatic LGPS lump sum detailed on page 9 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.

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

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

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

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 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

- 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 pension arrangements of your choice and be eligible for tax relief. There are controls on the pension savings you can have before you pay extra tax – see page 6 for details.
- Providing the contribution limits above are not exceeded, your contributions will qualify for full tax relief.
- If you elect to pay additional contributions, make payments for earlier Councillor service between 1st January 1995 and 3rd May 2007 to count or take out an AVC for additional death benefits, you may be required to satisfy certain medical conditions. You may be asked to complete a medical questionnaire and may be asked to undergo a medical examination at your own expense before your election is accepted.
- Further information on increasing your Scheme benefits is available by contacting the Pensions Section.

CEASING TO BE A COUNCILLOR BEFORE RETIREMENT

What happens to my benefits if I cease to be a Councillor participating in the LGPS?

In these circumstances you may choose, from a number of options, what happens to the benefits you have accrued in the LGPS. The options available to you are described below.

If you have:

Less than two years total membership and have not brought a transfer value into the LGPS and have not previously transferred LGPS benefits to an overseas scheme

Either

To take a refund of your contributions less any deductions for tax and the cost of buying you back into the State Second Pension Scheme (S2P).

Or

To transfer an amount equal to the cash equivalent of your pension benefits into your new employer's scheme provided they are willing and able to accept it, into a personal pension plan, into a stakeholder pension scheme, or into a 'buy-out' insurance policy (but not to the LGPS unless you again participate in the same LGPS fund as a Councillor member).

Or

To defer making a decision until you either re-join the same LGPS fund as a Councillor member, or join a new pension scheme, or want to take a refund of contributions.

At least two years total membership, or you have brought a transfer value into the LGPS or have previously transferred LGPS benefits to an overseas scheme

Either

To leave your accrued benefits in the LGPS. Your pension and lump sum will be calculated as described in the section on Retirement Benefits using the length of your **total membership** up to the date that you left the Scheme. This is known as having deferred benefits

Or

To transfer an amount equal to the cash equivalent of your pension benefits into your new employer's scheme provided they are willing and able to accept it, into a personal pension plan, into a 'buy-out' insurance policy or into a stakeholder pension scheme (but not the LGPS unless you again participate in the same LGPS fund as a Councillor member).

Note: it may be possible to make a transfer payment to an overseas pension scheme or arrangement that meets HM Revenue and Customs conditions.

What will happen to my benefits if I choose to defer them?

Your benefits will remain deferred within the LGPS until they become payable or until you decide to transfer them.

Deferred benefits become payable at age 65 (unless you opt to defer payment beyond that age), but may be put into payment at any age earlier than age 65 in the event of ill health, without reduction. You can also elect to receive your benefits early, on or after age 50 and before age 60 with your Council's consent as detailed on page 13, or at or after age 60, without your Council's consent. Your benefits will be reduced as detailed on page 13 if paid before age 65 to take account of early payment (but not if they are paid on the grounds of permanent ill health). Your former Council will have discretion to waive any reduction on compassionate grounds. The percentages will differ from those shown where benefits are paid with the former Council's consent before age 55. Please contact the Pensions Section for details of the percentage reductions that apply when deferred benefits are put into payment before age 55 for reasons other than ill health.

What will happen if I die before receiving payment of my deferred benefits?

Should you die while your benefits are deferred your retirement lump sum will be paid as a death grant. Payment will be made as detailed under Points to Note on page 16.

A widow's, widower's or civil partner's long-term pension will also become payable. The widow's, widower's or civil partner's pension is payable at the rate of one half of your deferred pension.

Long-term children's pensions will be payable for so long as eligible children remain following your death, as detailed on page 15. The pension is not calculated, however, against a notional entitlement. It is calculated instead against the pension you would have received had your deferred benefits been put into payment on the date of

your death. If your pension would have been calculated on a **total membership** of less than the shorter of ten years or the amount you could have accrued had you continued working to age 65, that amount is used to increase your pension for the purpose of calculating the children's pension only.

What will happen if I wish to transfer my accrued pension benefits to another (non LGPS) scheme?

If you are interested in transferring the value of your accrued pension rights to another occupational pension scheme (outside of Local Government), to a personal pension plan, to a stakeholder pension scheme or to a buy-out insurance policy you can ask for a transfer value quotation to be provided (known as the 'cash equivalent' transfer value). Under provisions introduced by the Pensions Act 1995, a quotation must be guaranteed for a period of three months from the date on which it was calculated (the 'Guarantee Date'). A written option to proceed with the guaranteed transfer value must be received within the three month guaranteed period. If you opt to proceed, the normal time limit for the Scheme to pay the guaranteed transfer value will be six months from the 'Guarantee Date'. If the Scheme does not make payment within this period it will need to recalculate the value as at the actual date of payment and pay the recalculated value or, if it is greater, the original value plus interest.

Transfer values are calculated in accordance with the terms and conditions of the Local Government Pension Scheme (Scotland) Regulations 1998 (as amended) which comply with requirements of the Pensions Schemes Act 1993.

Points to Note

- A refund of contributions cannot be paid if you have any other pension rights in the LGPS in Scotland. If you already have a frozen refund, hold another LGPS employment, have a deferred pension, pension credit or are in receipt of a pension from the LGPS (other than a widow's, widower's, civil partner's or child's pension) or have transferred any LGPS benefits to an overseas scheme you cannot claim a refund of contributions. Your **administering authority** will ask you to certify whether you have other LGPS pension rights before they can pay a refund of contributions.
- Only Scheme members who leave more than one year before age 65 can transfer their pension rights. The latest an option to transfer can be made is one year before age 65 or six months after leaving the Scheme, if this is later.
- You may wish to obtain independent financial advice before you make a decision to transfer your deferred benefits to a personal pension plan, stakeholder pension scheme or buy-out insurance policy, as you will be bearing all of the investment risk, which could significantly affect your future pension benefits.
- You may be able to commute some of your pension to receive a bigger tax-free lump sum (see page 10 for further details).

- Under HM Revenue and Customs rules, if the capital value of your deferred benefits on payment 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. When your deferred benefits become payable your **administering authority** will let you know their value 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 members pension savings will be significantly less than the **lifetime allowance**.
- Deferred benefits (including the lump sum benefits) are increased annually in line with the **Retail Prices Index**. However, should your deferred benefits be brought into payment before age 55 on the grounds of permanent ill health, pensions increase is only payable before your 55th birthday if you are certified as being incapable of engaging in any regular full time work; if you are not so certified, or your deferred benefits are brought into payment with your former authority's consent before age 55, the benefits will be paid at a flat rate until age 55. Then, at age 55, the benefits will be increased by the accumulated effect of inflation since they were brought into payment.
- Under HM Revenue and Customs rules your pension savings in all your pension arrangements can increase in any one year up to the **annual allowance** without incurring an extra tax charge. Unless you have **enhanced protection**, any increase in the value of your deferred benefits will be taken into account in assessing whether you exceed the annual allowance (other than in the year in which they become payable). Most scheme members' benefits will not exceed the **annual allowance**.
- Widow's, widower's and civil partner's pensions are payable for life even if your widow, widower or civil partner remarries, enters into a new civil partnership or cohabits.
- Widow's, widower's, civil partner's and children's pensions are increased each year in line with the Retail Prices Index regardless of age.
- 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 25 and 26 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 Council 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 later date. 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 Ceasing to be a Councillor 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 whilst you remain a Councillor.

If you opt-out of the LGPS more than once, unless you elect to re-join the Scheme within three months of commencing as a Councillor with a new Council, you will only be allowed to re-join at the **discretion** of your Council. You can ask your **Administering Authority** what your authority'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.
- issue annual benefit statements to Scheme members (other than to pensioners).

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 authority to:

- reduce pension benefits if a LGPS member leaves 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 office.

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, 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 / 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 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 your **Administering Authority** 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 **Administering Authority**.

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. The regulations are available from The Stationery Office. A current version, including all amendments, is available on the Local Government Employers' website at:

<http://timeline.lge.gov.uk/>

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 overleaf.

- **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 your **Administering Authority's Pensions 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 26.

Annual Allowance

This is the amount by which the value of your pension benefits may increase in any one year (disregarding the year 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 2007/2008 is £225,000. 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).

Career average pay

Career average pay is the **pay** for each year or part year ending 31st March increased (other than the final years pay) by the rise in the **Retail Prices Index** between the end of the relevant year and the last day of the month in which the councillor member's active membership of the Scheme ends. The aggregate of each years revalued pay is then divided by the total number of years and part years to arrive at the career average pay. This is the figure used to calculate your pension benefits.

Example

Assume that a Councillor has been in the Scheme for 3 years, from 3 May 2007 to 2nd May 2010. The average pay calculation would be calculated as follows:

Pay from 3rd May 2007 to 31st March 2008:

£8,250 plus inflation from 1st April 2008 to 31 March 2010 = £8,781

Pay from 1st April 2008 to 31st March 2009:

£9,300 plus inflation from 1st April 2009 to 31st May 2010 = £9,592

Pay from 1st April 2009 to 31st March 2010:

£9,500 plus inflation from 1st April 2010 to 31 May 2010 = £9,573

Pay from 1st April 2010 to 2nd May 2010:

£800 = £800

Career average pay = £8,781 + £9,592 + £9,573 + £800 divided by 3 = £9,582

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 S2P. The LGPS guarantees 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 Council or your **administering authority** to choose how they will apply the Scheme in respect of certain of its provisions. Under the LGPS your Council 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 your Council or your **administering authority** what their policy is in relation to a **discretion**. See also '**Policy Statement**' on page 32.

Enhanced protection

See under Primary Lifetime Allowance Protection on page 32.

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 2007/2008 is £1.6million. 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 2007/2008 is £87 per week or £377 per month. It is usually increased annually by Parliament.

Pay

This is the remuneration paid to you by your council under the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007, as leader of the Council, Civic Head, Senior Councillor or Councillor, including any payments in respect of functions as a convenor or vice-convenor of a joint board.

Policy Statement

This is a statement that your Council 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 your Council and your **administering authority** for the latest copy of their **Policy Statement**.

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 at 5th April 2006 exceeded the 2006/07 **lifetime allowance**, you can register for **primary protection** so that you have an individual **lifetime allowance** based on how much your benefits at 5 April 2006 exceeded the value of the 2006/07 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 at 5th April 2006 exceeded the 2006/07 **lifetime allowance** of £1.5 million, or you can register for **enhanced protection** if you believe they may in the future exceed the standard **lifetime allowance**. 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>

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 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 as a Councillor
 - ~ any earlier Councillor service between 1st January 1995 and 3rd May 2007 that you have made payment for.
 - ~ any membership which, as a Councillor member, you 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 which, as a Councillor member, were purchased by a transfer into the LGPS from a personal pension plan or stakeholder pension scheme.

¹ A provision in the Finance Act 2006 has ensured that those with enhanced protection will not lose it if they are paying AVCs at 5th April 2006 purely for extra life assurance cover and carry on doing so after that date provided the terms are not varied significantly from those that were applicable under the policy at 5th April 2006 so as to increase the level of life assurance cover or extend the period during which such benefits are payable e.g. the member does not adjust the premiums to purchase increased life assurance cover.

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

- ~ the number of years and days that you have been a LGPS member as a Councillor 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 a Local Government deferred pension which relates to an earlier period of membership of the Scheme as a Councillor or in respect of any other earlier period of membership of the Scheme as a Councillor which has not been aggregated with your current period of membership.
- ~ any earlier Councillor service between 1st January 1995 and 3rd May 2007 that you have made payment for.
- ~ the number of years and days which, as a Councillor member, were purchased by a transfer into the LGPS from a previous employer's pension plan, a personal pension plan or a stakeholder pension scheme.
- ~ 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 2007/2008 is £670 per week or £2,904 per month. It is usually increased annually by Parliament. On earnings above the **Upper Earnings Limit** you only pay a 1% National Insurance contribution.

NOTES

Scottish version – May 2007

