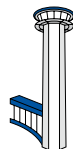


DECEMBER 2008

# Pensions News for Councillors



**CHANGES TO THE LOCAL  
GOVERNMENT PENSION SCHEME  
FROM 1 APRIL 2009**



**Aberdeen City Council**  
Pension Fund

## CHANGES TO THE LOCAL GOVERNMENT PENSION SCHEME FROM 1 APRIL 2009

The Local Government Pension Scheme will change from 1 April 2009. The changes will affect all scheme members so it is important that you are aware of how the new regulations will affect you. The important parts of the new scheme are:

### CAREER AVERAGE PAY

Your benefits will continue to be calculated on your career average pay. Career average pay is the pay for each year or part year ending 31 March increased by the rise in the retail price index. The aggregate of each year's revalued pay is then divided by the total number of years and part years to arrive at your career average pay.

### ACCUAL RATE INCREASED TO 1/60th

All your membership up to 31 March 2009 will continue to be calculated on the basis of the current scheme, that won't change. You will receive a pension of 1/80th of your career average pay plus an automatic tax-free lump sum of 3 times your pension.

Membership from 1 April 2009 will attract the better pension accrual rate of 1/60th. Although there is no automatic lump sum, you can decide to exchange some of your pension in return for a tax free lump sum.

#### Example

A member with 1 year 331 days membership as at 31 March 2009 and continues as a Councillor for another 24 years, retiring at age 65. For illustration, we've used a career average pay figure of £20,000.

#### Benefits based on 1 year 331 days membership up to 31 March 2009

**Annual pension** -  $1/331 \times 1/80 \times £20,000 = £476.71$

**Plus an automatic tax free lump sum** -  $1/331 \times 3/80 \times £20,000 = £1,430.14$

#### Benefits based on the 24 years membership from 1 April 2009

**Annual pension** -  $24/60 \times £20,000 = £8,000$

#### Therefore the total benefits are:

**Annual pension** -  $£476.71 \text{ PLUS } £8,000 = £8,476.71$

**Lump sum** -  $£1,430.14$



## ABILITY TO EXCHANGE SOME OF YOUR PENSION FOR A TAX FREE LUMP SUM

Based on the example shown on previous page you can choose to give up (maximum) of £2,950.78 of annual pension and commute this at a rate of 12:1 for lump sum. On this basis the pension benefits would be:

**Annual pension** - £5,525.93

**Lump sum** - £36,839.52

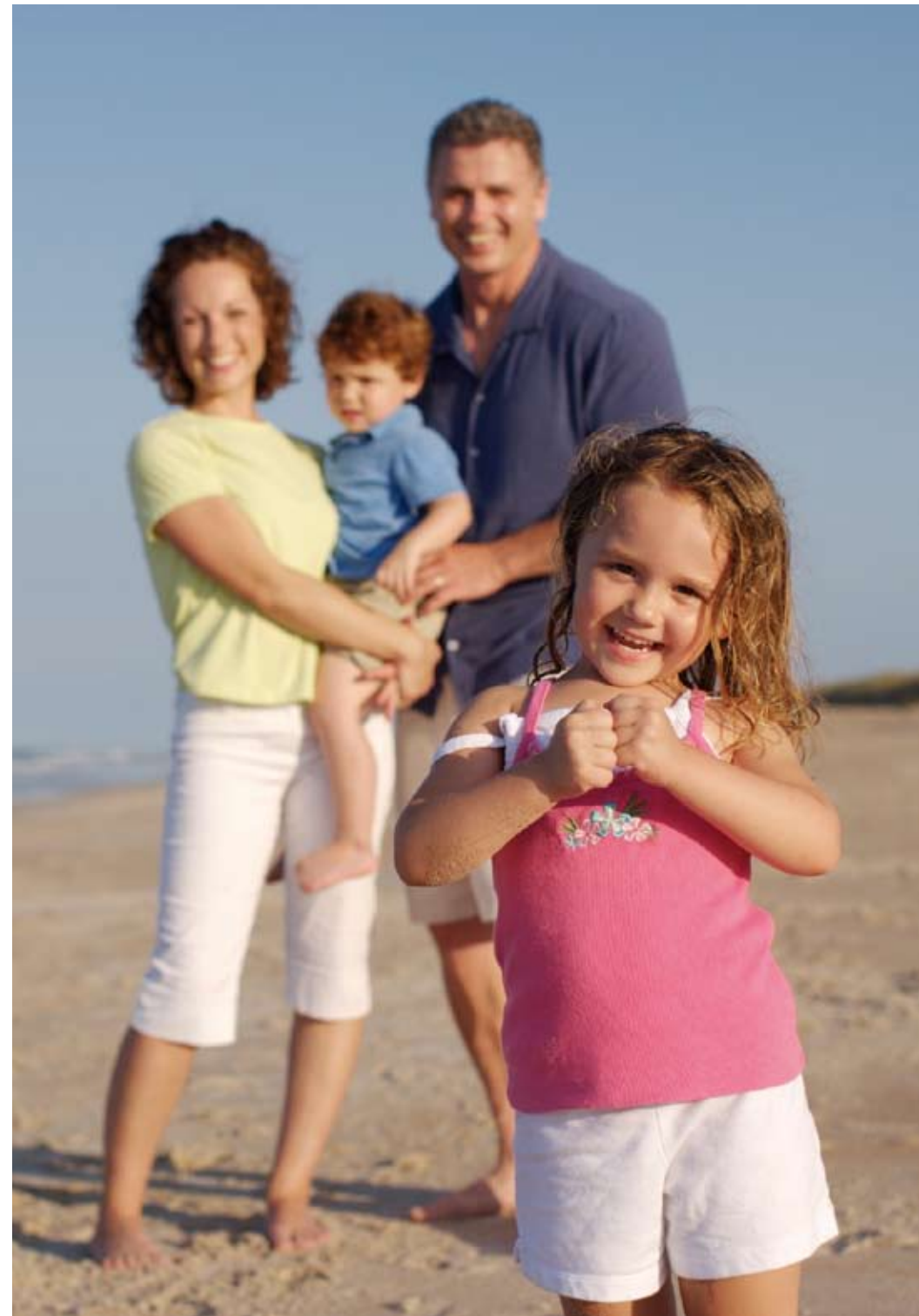
## TIERED CONTRIBUTIONS ARE INTRODUCED

Currently members contribute 6% of their pay. As from 1 April 2009 members will pay contributions based on the tier dependent on their rate of pay.

Your Council will calculate your contribution rate each year using your rate of pay on 31 March and advise you of the contribution rate you will pay as from the first pay period in the new income tax year, i.e. first payment on or after 6 April. This rate will be fixed for the whole of the following income tax year regardless of any change of pay. The tiers on which contribution rates are set will be adjusted from April each year in line with the cost of living.

Below is an excerpt of the table that shows in outline where your new contribution rate will sit. The full table can be seen on our website - [www.accpf.org.uk](http://www.accpf.org.uk)

| Contribution rate | FTE Pay Min | FTE Pay Max | Contribution rate | FTE Pay Min | FTE Pay Max |
|-------------------|-------------|-------------|-------------------|-------------|-------------|
| 5.5               | Up to       | 18,529      | 6.3               | 26,223      | 27,441      |
| 5.6               | 18,530      | 19,687      | 6.4               | 27,442      | 28,780      |
| 5.7               | 19,688      | 20,999      | 6.5               | 28,781      | 30,169      |
| 5.8               | 21,000      | 22,264      | 6.6               | 30,170      | 31,228      |
| 5.9               | 22,265      | 23,137      | 6.7               | 31,229      | 32,363      |
| 6.0               | 23,138      | 24,081      | 6.8               | 32,364      | 33,584      |
| 6.1               | 24,082      | 25,106      | 6.9               | 33,585      | 34,901      |
| 6.2               | 25,107      | 26,222      | 7.0               | 34,902      | 36,326      |



## PARTNER'S PENSIONS

From 1 April 2009, co-habiting partners will be eligible to receive a survivor's pension provided they satisfy the following criteria but only where a nomination form has been completed.

To nominate a cohabiting partner your relationship has to meet certain conditions. These include a declaration from both parties that for at least two years you have continuously been:

- Financially inter-dependent
- Neither party is living with a third person as if they were married/civil partners
- Both free to marry or form a civil partnership
- Co-habiting as if married/civil partners

The partner's pension will be calculated as 1/160th of your career average pay for each year of membership.

A form to nominate your partner for a pension can be downloaded from the website or by contacting the Pensions Section.

## INCREASED DEATH BENEFITS

### Post 1 April 2009 members

**Death of an active member** - If you die whilst still a councillor, the tax free lump sum payment, known as the death grant will increase from two times pay to three times pay.

**Survivor's pension** - If you die whilst still a Councillor, any survivor's pension payable will now be based on membership enhanced to age 65. The current survivor's short term pension, paid for 3 months, will no longer be payable after 1 April 2009. The amount of pension to be paid to eligible children depends on the number of eligible children and whether or not a spouse's, civil partner's or nominated partner's pension is payable.

**Death of a deferred member** - (former member with benefits still held in the Scheme) - If you die before receiving your pension, the death grant, payable to your nominated beneficiary, is five times the pension that would have been payable if you had retired at the date of death.

**Death of a pensioner** - Where a pensioner dies, prior to age 75, a death grant of ten times the annual pension, less the amount of pension already paid is payable. Formerly the death grant was five times pension less pension already paid. No death grant is payable where a pensioner dies after age 75.

## BETTER TARGETED ILL HEALTH PENSIONS

Where you cease to be Councillor due to permanent ill health, the new scheme provides a tiered ill health retirement package. Your Council will decide the level of ill health benefit you would receive after consultation with their approved medical adviser.

### • Tier 1

Where there is no reasonable prospect of paid employment before age 65 ill health benefits will be paid to you immediately, based on your membership increased to age 65.

### • Tier 2

Where there is a reasonable prospect of paid employment before age 65 you will receive pension benefits paid to you immediately based on your membership enhanced by 25% of potential membership to age 65.



## MORE INFORMATION

It's not possible to cover all the conditions of the new Scheme in this newsletter and it is issued as a guide only. If you have a specific question that relates to your own circumstances please contact us, by email, using the details below and we will be happy to help.

**E-mail**      [pensions@accpf.org.uk](mailto:pensions@accpf.org.uk)

**Website**    [www.accpf.org.uk](http://www.accpf.org.uk)



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