

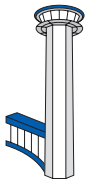
Aberdeen City Council
Pension Fund

Pension

Newsletter for Deferred Members



Aberdeen Harbour



Aberdeen City Council
Pension Fund

NOTES ON DEFERRED BENEFIT STATEMENT

Increases

The enclosed statement shows the value of your deferred benefits as at 10 April 2006, being the last increase date. Your benefits will continue to increase both prior to and after they come into payment.

Security of your pension

The rules of the Local Government Pension Scheme are written in law. This means that your deferred benefits are safe, secure and fully guaranteed.

How were my pension benefits calculated?

Your benefits were calculated based on your length of membership in the Local Government Pension Scheme and your final pay to date of leaving.

For part time employees the membership is based on the proportion of the full time equivalent membership, but the final pay is the full time pay for the post.

Lifetime allowance

The new "simplified" HM Revenue and Customs rules for taxation of pension came into force on 6 April 2006 (A Day). One of the changes was the setting of a lifetime allowance, whereby if a member exceeded this limit then a tax liability, in addition to normal income tax would be applied. The lifetime allowance for 2006/07 was set at £1.5 million. Your lifetime allowance is calculated as 20 times your annual pension plus your lump sum plus if applicable, the value of your AVC fund. When your benefits come into payment you will be asked for details of any other pension benefits that you have accrued in order that the Pensions Section can calculate if you have exceeded your lifetime allowance. This new limit is unlikely to affect all but high earners in the immediate future.

Commutation of small pensions

The Finance Act 2004 allows for commutation of small pensions where the pension benefits are less than 1% of the lifetime allowance, the lifetime allowance for income tax year 2006/07 being £1.5 million. Your lifetime allowance is calculated by multiplying your annual pension by 20 and adding your lump sum.

At the present time, Aberdeen City Council Pension Fund, in line with all other Scottish Authorities, has decided that they will not commute small pensions to a single lump sum. This decision will be reviewed once further clarification on the legislation has been received from HM Revenue and Customs.

Inhouse additional voluntary contributions

As from 1 October 2006 a scheme member who has in-house AVCs may elect, at retirement, to take up to 25% of their AVC fund as tax free cash (still subject to confirmation in forthcoming regulations)

Children's Pensions

A child's pension which comes into payment on or after 6 April 2006 will be paid whilst the child is in receipt of full time education or training, but no later than age 23. Where a child is physically or mentally incapacitated the pension will be payable for life.

Payment of benefits

If you commenced Local Government employment prior to 1 April 1998 your deferred benefits will normally become payable when you attain:

- a) age 65, or, if earlier
- b) any age between 60 and 65 and have either satisfied the rule of 85 (explained below) or would have attained 25 years membership if you had remained in the scheme
- c) at age 60 at a reduced rate

If however you commenced Local Government employment after 1 April 1998 your deferred benefits will normally become payable when you attain age 65.

What is the rule of 85?

Rule of 85 (this does not apply to any member who left the Scheme prior to 1 April 1998)

It is likely that the rule of 85 will be removed from 1 October 2006. However for members who left prior to that date then this protection will still apply. The rule of 85 allows pension benefits to be paid at any time between the ages of 50 and 60. The benefits will be paid without reduction if when your scheme membership plus potential scheme membership (membership you would have accrued from date of leaving to date of application for benefits) plus your age equals 85 or more, e.g. 15 years membership plus 15 years between date of leaving and date of application, age 55 = 85. If the rule of 85 is not achieved then benefits can still be paid but on a reduced basis. **However, payment prior to age 60 requires your former employer's consent as they will incur considerable costs for agreeing to early payment. Therefore payment prior to age 60 is likely to be agreed only in very exceptional circumstances.** Pre 1 April 1998 leavers can only apply for early payment after attaining age 50 on compassionate grounds.

For employees age 60 or over the rule of 85 still applies but the consent of your former employer is not required.

By how much would my benefit be reduced if I did not satisfy the rule of 85 or did not have 25 years membership?

If you do not satisfy the criteria for early payment, e.g. satisfy the rule of 85 or 25 years membership had you remained in local government employment, you will be given the option to elect for reduced benefits at age 60. The reduction that is applied to your benefits depends on how early your pension benefits are being paid.

Pension reduction %			Lump sum reduction
Years early	Males	Females	
1	8	7	2
2	15	13	5
3	22	18	7
4	28	23	9
5	33	27	11

If I become ill how do I claim my benefits?

Benefits may be paid at any age if because of **permanent** ill health you would have been unable to continue the duties of your former Local Government employment. The definition of permanent is that on the balance of probability you would be unfit until age 65. In these circumstances you should write to the Pensions Manager, **enclosing a report from your GP**, confirming in his opinion, you would be permanently unfit until age 65. A medical appointment will then be arranged for you to be seen by the Pension Fund's Medical Advisor. Should benefits become payable on the grounds of ill health, they become payable from date of application, not any retrospective date.

If deferred benefits are paid early on the basis that you were permanently unable to do your previous job, pensions increase is only applicable from age 55. Therefore the value of benefits shown on your statement as at date of leaving would be payable and not the current value with pensions increase. If you were found to be permanently unable to do ANY JOB then pensions increase would be payable regardless of how old you are.

Could I claim my benefits early on compassionate grounds?

Benefits may be paid on or after age 50, at the discretion of your former employer. Under the available discretions most employers who contribute to the Aberdeen City Council Pension Fund made the decision that early payment on compassionate grounds would only be **considered** where you are in receipt of a carer's allowance from the Department for Work and Pensions.

There are however certain employers who will consider each case on its merit. An application requesting early payment on compassionate grounds should be addressed, in writing, to the Pensions Manager giving full details of why early payment is being requested.

Dependants' benefits

Lump Sum (Death Grant)

Should you die before your deferred benefits come into payment, the value of your tax free lump sum will be payable to your nominated beneficiary. Any nomination made will cease to have effect should you marry or re-marry. If you wish to change your beneficiary please contact the Pensions Section on (01224) 814949, alternatively you may wish to download a nomination form from our web site – www.accpf.org.uk.

If no nomination form is held, then Aberdeen City Council Pension Fund may make payments to or for the benefit of the member's executor or any person appearing to the authority to have been his/her relative or dependant at any time.

Widow's Pension

A pension equal to one half of your deferred pension (including increases) would be payable to your widow provided she was your wife at date of leaving.

Should you marry or re-marry after leaving Local Government employment the pension payable would be one half of the deferred pension (including increases) which would have been payable, based on service after 6 April 1978 only.

Widower's Pension

The amount of widower's pension depends on when you left Local Government employment. The amounts are as follows:

Leaving Date	Amount Payable
Prior to 6 April 1988	No widowers pension is payable.
Between 6 April 1988 & 31 March 1998	half pension based on membership from 6 April 1988
After 1 April 1998	half pension based on membership from 6 April 1972

Civil Partner's Pension

With effect from 5 December 2005 the Civil Partnership Act 2004 allowed same sex partners to register a civil partnership. A civil partner's pension will be payable based on membership after 5 April 1988.

Children's Pensions

A child's pension which comes into payment on or after 6 April 2006 will cease at age 23 unless the child is physically or mentally incapacitated.

Rejoining the local government pension scheme

If you rejoin, you can elect to cancel your deferred benefits and combine your periods of membership, or if more beneficial your two periods of membership can be kept separate, e.g. if you come back to a lower graded post it may be to your advantage to keep your benefits separate.

The time scales on making an election to cancel your deferred benefits and combine your periods of membership differ depending on whether you rejoin the Local Government Pension Scheme in England and Wales or Scotland.

England and Wales

Where a scheme member with deferred benefits rejoins local government employment they must elect within 12 months of commencement of re-employment to combine their periods of membership. If no election is made their periods of membership will be kept separate and they will have no further opportunity combine their membership.

Scotland

A scheme member with deferred benefits can decide at any time to combine their pension benefits. This is important because if a member returns to local government employment on a lower salary they may not wish to combine their benefits at that time. If at a future date they are re graded or retire early it may be beneficial to combine their benefits at that time.

No refund if deferred benefits held

Changes by HM Revenue and Customs have been made with regard to refund of contributions where a member has deferred benefits, becomes re-employed and leaves shortly afterwards. The new refund form will ask if you have deferred benefits with any local government pension scheme in Scotland. You must take care when completing this form because if you inadvertently state that you do not have any deferred benefits these will be lost if you claim a refund in respect of your re-employed post. A refund of perhaps a few hundred pounds may mean that you will lose your deferred benefits which could amount to a substantial amount of money. Please take care!

Transfer of pension benefits

Your deferred benefits can be transferred to another Local Government employer or to a public sector scheme where the transfer is likely to buy day for day service and also at retirement your pension benefits would be calculated on your final salary.

However you should think carefully before transferring your contributions to another employer's scheme or to a personal pension plan where the schemes are likely to be money purchase schemes. A money purchase scheme is based on the value of your fund at retirement and the cost of "buying" a pension with this fund when you retire. The amount of your pension is therefore dependent on how well or badly the stockmarket performs.

You should remember that by transferring the value of your pension benefits out of the Local Government Pension Scheme you are giving up benefits that will be increased in line with the retail price index both before and after retiral.

Pension sharing

Pension sharing will now no longer only apply to couples who divorce but also to same sex registered civil partnership where that relationship is formally terminated. If this situation arises members should contact the Pensions Section and request information on the Cash Equivalent Value

(CEV). The CEV is the capitalised value of your pension benefits and it provides a convenient way of assessing the value of the pension in relation to other assets such as property.

If the Court decides that a Pension Sharing Order will apply then your pension and lump sum will be reduced and your former spouse or registered civil partner will be entitled to a pension credit. He/she can then use this pension credit to provide a pension and lump sum from the Aberdeen City Council Pension Fund or to transfer this credit to another approved scheme.

A statement of charges for providing CEV information and setting up a pension sharing order will be sent to you when we acknowledge your request for CEV calculation.

Combined benefit statements

At the present time it has not been possible to provide a combined benefit statement showing the value of benefits that you can expect from the Local Government Pension Scheme and also the benefits that you would receive from the State pension scheme. This is due to a problem with the software currently used by most local authorities, including the Aberdeen City Council Pension Fund.

Website

This information sheet only covers the subject of deferred benefits. For more information on the pension scheme you can log on to the Pensions Web site. The web site has proved to be very popular with scheme members and is regularly updated.

If you have any comments about the site please contact us at www.accpf.org.uk

Change of name or marital status

If you change your name, please advise the Pension Section, in writing, enclosing copy of relevant certificate.

Change of address

It is important that to be able to keep you advised of the value of your deferred benefits that you notify the Pensions Section of any change of address.

Further information

If you have any queries on the enclosed statement, please do not hesitate to contact the Pensions Section, quoting your national insurance number. The telephone number is **01224 814949** or write to us at the following address:

**Pensions Manager
Aberdeen City Council Pension Fund
Resources Management
2nd Floor
AECC
Balgownie One
Conference Way
Bridge of Don
Aberdeen
AB23 8AQ**

Fax: 01224 814969

Email address: *Pensions@accpf.org.uk*

Website: *www.accpf.org.uk*

