MEMBER'S HANDBOOK

Welcome

to the Local Government Pension Scheme.

This is your guide to the valuable range of benefits provided by the Scheme.

Pensions are important to all of us, no matter how far away retirement may seem. In fact, over the coming years, your pension will possibly be your most valuable asset!

<u>Nothing in this guide can override the rules of the Scheme which are laid down in the Local Government Pension Scheme (Scotland) Regulations 1998</u>

Falkirk Council
Finance Services

Version -Dec. 2007

WHERE TO LOOK

Introduction

Getting The Message Across

When most people first start working, a retirement pension is one of the last things they think about. However, as you get older and take on more responsibilities, you may begin to wonder how you will manage when you come to retire or what would happen to your family should anything happen to you.

Membership of a pension scheme should be an important part of your financial planning and if you are a local government employee the Scheme for you will probably be the Local Government Pension Scheme (LGPS).

The Benefits

Membership of the LGPS provides you with an excellent package of benefits which are protected from inflation and guaranteed by the Government. These include: -

- a Guaranteed Pension based on your pay and the length of time you have been in the Scheme
- a tax free lump sum of three times your yearly pension
- a lump sum of twice your yearly pay if you die whilst a member of the Scheme
- Pensions for your husband, wife, civil partner and children
- An enhanced pension paid out early if you have to stop work permanently because of illness
- A pension that will increase in line with the cost of living
- A pension that can be paid immediately if you are over 50 and made redundant

The Scheme

The LGPS is available to all local government employees in Scotland, England and Wales, except Teachers, Police and Firefighters.

Employees of other publicly funded organisations such as the Scottish Environment Protection Agency (SEPA), the Scottish Children's Reporter Administration (SCRA) and Further/Higher Education Colleges can also join the Scheme, as can the employees of certain non-profit making organisations (provided they have an admission agreement with a Pensions Authority).

The LGPS is set up by law and the contribution and benefit levels are laid down in legislation. Local authorities must comply with these rules.

Because of the high standard of benefits provided, the Scheme is recognised by the Department of Work & Pensions as a Contracted-Out Scheme, which means that both you and your employer are allowed to pay a lower rate of national insurance contribution. In doing so, you do not contribute to the additional pension scheme operated by the Government (known as the Second State Pension - previously called the State Earnings Related Pension Scheme).

The LGPS is also recognised by the Inland Revenue as a tax approved pension scheme. This means that you receive full tax relief on the contributions you pay.

Unlike personal pensions, the value of your benefits from the Scheme is not affected by stock market performance and unlike other types of pension arrangement, employees do not pay towards the administration costs of the Scheme.

The Pension Fund

The LGPS is run locally by Falkirk Council.

Under the rules of the Scheme, Falkirk Council must maintain a pension fund which is kept separate from any of it's other finances. The Fund receives income from several sources-

- employee contributions
- employer contributions
- interest and dividends from investments

Employees' contributions are fixed under the Scheme rules. Employers' contributions are fixed every 3 years by an independent Actuary to make sure the Fund has enough money to pay for future benefits.

Details of the Fund's investment performance will be given in the Annual Scheme Report issued to all members.

The Guarantee

Because the Scheme is a Public Sector Pension Scheme, it is protected by an Act of Parliament. This means that even if the pension fund or local authority suffered a financial catastrophe, the Government would still be obliged to pay scheme members their full pension entitlement.

This type of guarantee is simply not available with Personal Pensions or with Occupational Pension Schemes in the Private Sector.

Some Key Terms

A number of special terms are used in this booklet. They are necessary to allow the benefits of the ***LGPS*** to be described to you accurately.

Active Member is a person who is a member of the *LGPS* by virtue of being currently employed by an employer who operates the Scheme.

Child/Children is someone who is the child (including the adopted child) of a scheme member, or a person who is wholly or mainly dependent on a scheme member. To be a "child", the person must be under age 17*;* or in full time education or in training.; or physically or mentally handicapped.

Contracted Out - as well as providing a basic pension for it's citizens, the Government also runs the Second State Pension Scheme (SSP). The scheme was started in 1978 (as SERPS) to provide extra pension cover to employees who did not have access to good quality pension arrangements.

A pension scheme which meets certain standards can be allowed to contract out of the Second State Pension.

Prior to April, 1997 a scheme could only be contracted out if it agreed to pay pensions above a minimum level (known as the guaranteed minimum pension). From April, 1997*,* the contracting-out test depends on the overall quality of a scheme.

In a contracted-out scheme, scheme members do not contribute to the SSP nor do they build up an SSP entitlement. In return, however, both employee and employer pay a lower rate of national insurance.

The *LGPS* is a contracted-out Scheme.

Final Pay is used in the calculation of scheme benefits. It is normally the highest pensionable pay in any one of the three years prior to your retiring or leaving the scheme.

Guaranteed Minimum Pension - prior to April, 1997*,* a pension scheme could only be contracted out if it agreed to pay pensions above a minimum level. The is called the guaranteed minimum pension and it is broadly equivalent to the SSP/SERPS entitlement which a member would have built up had they not been in a contracted-out scheme.

Guaranteed Minimum Pension cont'd
In respect of membership up to 31st March 1997*,* the Scheme must still ensure that pensions are paid above the minimum level. The Guaranteed Minimum Pension is calculated by the Inland Revenue on the basis of National Insurance Contributions.

LGPS is an abbreviation for the Local Government Pension Scheme

Normal Retirement Age (NRA) is the date on which benefits can be paid to members without an early payment penalty. NRA in the LGPS is Age 65.

Pensionable Pay is the part of your pay from which contributions are deducted. It includes your basic salary or wage and regular additions such as bonus, shift allowance, contractual overtime, etc. It does not include casual overtime, travelling expenses, payment in lieu of holidays or payment in lieu of notice.

Scheme Membership/Membership is the period of time used to calculate scheme benefits. It is normally the total of any periods that:

- you have been an active member, plus
- any transferred in membership, plus
- any additional membership purchased

Membership is also used to decide whether or not you have been in the Scheme long enough to qualify for benefits.

SERPS is an abbreviation for State Earnings Related Pension Scheme.

Spouse is the person to whom you are legally married or in a civil partnership with when you die. An ex-wife/husband is not eligible to receive a spouse s pension. If you marry after leaving the LGPS, your spouse is likely to receive a reduced entitlement.

State Pension Age is the age at which "old age" pension or state pension is payable by the Government. It is currently age 65 for men and 60 for women. State pension age is due to be equalised at age 65 for both sexes by the year 2025.

Key terms are shown in *italics* throughout the rest of this booklet

Joining the Scheme

Introduction

Most local government employees are now able to join the LGPS. So, too are staff of certain other bodies, such as SEPA, SCRA and Colleges of Further or Higher Education.

Teachers, Police Officers and Firefighters cannot join the Scheme because they are entitled to belong to other pension arrangements.

From 6th April, 2006, you can be a member of the LGPS and contribute to other pension arrangements, including personal pension and stakeholder pension plans, at the same time.

Joining the Scheme before 1/4/98

Over the years, the entry requirements for joining the Scheme have changed considerably. The most notable of these are as follows:-

- Before 1/4/86, you could only join the Scheme if you regularly worked at least 30 hours per week.
- Between 1/4/86 and 31/12/93, you could only join the Scheme if you worked at least 15 hours per week
- From 1/1/94. you could join the Scheme irrespective of the number of hours being worked

Joining the Scheme Now

To be able to join the Scheme now, you simply have to work for a local authority, or an employer who is allowed to be part of the Scheme.

When you begin employment, you will become a member of the Scheme automatically unless you are employed on a casual basis or specifically request not to be included in the Scheme.

If you are employed on a casual basis, you can still opt to join the Scheme, although you will only be considered a scheme member on those days you are at work. This means that you will have to complete 730 days (2 years actual employment before you are entitled to Scheme Benefits}. In addition, you will only have death in service cover on the days you are specifically employed.

You cannot be a member of the scheme if you have attained age 75.

Previous Pension Rights

If you have built up pension rights before joining the Scheme, you will probably be able to transfer them into the LGPS. **You must apply to do this within 12 months of joining the Scheme.**

Your former Scheme will offer a sum of money in respect of your pension rights (known as a "transfer value"). This will buy you an extra period of membership in the LGPS. Falkirk Council has the right to refuse the transfer in certain circumstances.

Special arrangements apply if you are transferring rights from another local authority or from a public sector pension scheme.

You can tell us about any previous pension rights you have by completing Form S/2. Ask the Pensions Section for this form if you joined the scheme recently and haven't completed one.

Opting Out

Membership of the Scheme is voluntary and you can opt out of it at any time.

If you opt out within one month of joining, your membership will be cancelled and your contributions returned to you by your employer.

If you opt out more than one month after joining the Scheme, your membership stands and the Pensions Section will advise you of your various options.

If you want to opt out, ask the Pensions Section for Form S/OPT/OUT and return it to the Payroll Section of your employer.

Before deciding to opt out, you should consider carefully the costs and quality of alternate pension provision, as well as the consequences of making no pension provision for your future.

Misconduct

In certain circumstances, you may lose your rights under the Scheme or they may be reduced, if you lose your job because of serious misconduct connected with your employment.

Rejoining the Scheme

After Opting Out

If you opt out of the Scheme, you can rejoin at any time in the future.

If you opt out again, you may be prevented from rejoining a second time depending on the policy of your employer. (see policy statement on Page 22).

After Leaving an LGPS Employment

If you rejoin the Scheme after previously having been a member, you may be able to combine your former LGPS rights with your new rights.

Whether or not you should do this will usually depend on whether your *Pensionable Pay* in your former LGPS employment is greater in real terms than your Pensionable Pay in your new employment.

After Retiring from an LGPS Employment

If you rejoin the Scheme after having previously retired, you will be able to build up a separate benefit in respect of your new employment.

(Please see Page 12 for the implications for your pension of being re-employed in local government where you have already retired)

Concurrent Employments

If you are hold several jobs in the scheme at the same time, then special rules apply if you leave one job and continue with another.

If you decide to link your rights from the 1st job with your rights in the continuing job, then the period of membership credited in the continuing job will be:

Membership in 1st job x
full time pay in 1st job /
full time pay in continuing job

Absences from Work

Sick Leave

If you are off sick and receiving pay, your employer will continue to deduct contributions so that your *membership of* the Scheme is maintained.

If you are off sick without pay, the period will also be treated as a normal period of scheme membership, even although you haven't paid any contributions.

Authorised Leave of Absence

If you are granted unpaid leave of 30 days or less, contributions will automatically be collected from your pay when you return from leave and the period of absence will count as *scheme membership*.

If the leave exceeds 30 days, contributions will be recovered in respect of the first 30 days, but it will be for you to decide whether you wish to pay the contributions in order to count the rest of your absence.

Industrial Action

If you are on strike, you can count the period of absence as a period of scheme membership provided you pay 16% of the pay you would have received but for the strike action.

Unauthorised Leave of Absence

If you are absent from work without permission and are not paid for the absence, this period will not count as membership.

Maternity and Adoption Leave

If you are on maternity or adoption leave, the first 26 weeks will count in full towards scheme membership. In addition, if your leave is for more than 26 weeks and you are paid then this period will also count.

If your maternity or adoption leave is more than 26 weeks and it is not paid, then it only counts as scheme membership if you pay back contributions to cover this period. What you pay back is based on your maternity pay immediately prior to the start of the unpaid period.

On your return from leave, your employer will tell the Pensions Section of any amounts that can be repaid. You will then get the chance to pay back these contributions - usually by doubling your normal contribution.

Paternity Leave

If you are on Paternity Leave, contributions will automatically be deducted from any Paternity Pay you receive. In return, your period of Paternity Leave will count in full for pension purposes.

PAYING FOR YOUR BENEFITS

What You Pay

Member Contribution Rates

All new members pay a contribution of 6% of their ***pensionable pay,*** but....................

If you joined the Scheme before 1st April, 1998 and were classed as a manual worker, you will only pay 5% of your *pensionable pay,* provided you remain employed in the same job.

If you started in local government work before 1st April, 1998 but did not join the Scheme until after 31st March, 1998 and you have been employed continuously as a manual worker, you will also be able to pay at the 5% rate.

Tax and National Insurance Relief

Contributions are deducted from your pay before income tax is calculated so you get full income tax relief at the highest rate you pay.

Here is an example of what scheme membership will cost you.

Gross Monthly Salary		-	£1,000.00
Basic Contribution £1,000 x 6%		-	£60.00
less income tax relief	£60 x 22%	-	£13.20
Net Monthly Cost to You		-	£46.80

In addition, because the ***LGPS*** is contracted- out of the Second State Pension, you pay less National Insurance Contributions. The maximum saving is currently 1.6% of the difference between the Upper and Lower Earnings Limits for National Insurance purposes. For a salary of £1,000 per month. the saving would be as follows:-

Monthly Salary		Lower Earnings Limit		
£1,000	-	£278	=	£722
			X	1.6%
Monthly Saving in National Insurance			=	£11.55

40 years rule

Prior to 6/10/2006, the maximum period of membership that you were allowed to count in the calculation of scheme benefits was either 40 years or 45 years depending on when you joined the scheme.

From 6/10/2006, there is no limit on the period of membership you can count.

What Your Employer Pays

Employer's Contribution

The cost of the benefits provided by the LGPS is substantially greater than the contributions you make. In order to ensure that there is always enough money to pay for Scheme benefits, your employer is required to make a regular contribution to the Fund.

The rate of contribution to be paid by employers is determined every three years by an independent actuary.

Over the longer term, an employer can expect to pay an average contribution of around 13% of pay.

Entitlement

The main aim of a pension scheme is to provide a financial benefit for scheme members when they retire. In the LGPS retirement benefits consist of:

- an Annual Pension, and
- a Tax Free Lump Sum

In order to be entitled to retirement benefits you must usually have been a member of the Scheme for at least 2 years, or have had pension rights transferred in.

The various circumstances which give rise to the retirement benefits are outlined below:

Retirement at Age 65

Age 65 is the *normal retirement age* for all scheme members. If you retire at this age you will be paid both a pension and a tax free lump sum - regardless of the length of time you have been a member of the Scheme. For most employees, age 65 is also the age when an employer can enforce retirement.

Retirement after age 65

If you continue working beyond age 65, you will continue to pay contributions and accumulate membership in the Scheme.

When you eventually retire, your accrued benefits to age 65 will be increased by an actuarial factor as a "reward" for you working beyond age 65.

Voluntary Retirement between Age 60 and Age 65

You can retire voluntarily between age 60 and 65 and get your pension and tax free lump sum immediately. However, because you are retiring before age 65, your benefits will be subject to a early payment penalty.

To work out the penalty you must first calculate the period from your date of retirement until your 65th birthday.

Once you have calculated the period, use it as the "No. of Years Early Payment" figure when looking up the 'Table of Reduction Factors" opposite.

You will then be able to read off the percentage reduction which would be made to your pension and lump sum.

Voluntary Retirement between Ages 50 and 60

Between the ages of 50 and 60, you can only retire voluntarily **if your employer allows you to do so**. The policy statement on Page 22 will explain how your employer will exercise this discretion.

If your employer allows you to retire voluntarily, then the rules outlined in the Section "Voluntary Retirement between Age 60 and Age 65" apply (i.e. your benefits will be reduced in accordance with the number of years prior to age 65 that you are retiring.). Again, the table below gives details of the percentage reduction to benefits.

Table of Reduction Factors

No. of Years Early Payment	Pension Reduction (%)		Lump Sum Reduction (%)
	M	F	All Members
1	6	5	2
2	11	10	5
3	16	15	7
4	20	19	9
5	24	23	12
6	28	27	14
7	32	30	16
8	35	33	18
9	38	36	20
10	41	39	22
11	44	42	24
12	47	45	26
13	50	47	27
14	52	49	29
15	54	51	31

M = Males
F = Females

Flexible Retirement

It is now possible to retire, receive your benefits and continue working in the same job. To qualify, you must:

- be aged 50 or more;
- have reduced your hours or grade; and
- have your employer's consent

As you will (probably) be receiving your benefits before age 65, it is possible that they may be subject to a penalty reduction depending on your age and length of scheme membership.

Entitlement Pre-1/12/06 Members

Voluntary Retirement between Age 60 and 65 - Special Cases

Members who joined the Scheme prior to 1/12/2006 have certain preferential rights in the way that they can access their benefits between Age 60 and 65.

The Pre-1/12/2006 Position

Prior to 1/12/2006, the scheme rules allowed members to retire between age 60 and 65 without an early payment penalty, provided the total of the member's age and scheme membership (when counted in completed years) added up to at least 85. This was known as the rule of 85.

The scheme rules also provided that if you achieved your rule of 85 between age 60 and 65 and took your benefits from age 60, (i.e. prior to the rule of 85 date) then the penalty for accessing your benefits early was based on the period from your **date of retirement to the date of satisfying the rule of 85**. This contrasts with the current scheme rules where early payment penalties are based on the period from the **date of retirement to Age 65**.

In recognition of the fact that some pre-1/12/2006 members have been placed in a worse position by the "abolition of the rule of 85 ", the scheme provides these members with a degree of protection, depending on when they were born and when they actually retire.

Members born before 1/4/1960 - Protection

Members born before 1/4/1960 can receive their retirement benefits from Age 60 and without an early payment penalty provided they have satisfied their rule of 85 at age 60.

Members born before 1/4/1960 who achieve their rule of 85 between Age 60 and 65 can also receive their retirement benefits from Age 60 but with an early payment penalty based on the period from their date of retirement to their Rule of 85 date.

In either of the above cases, if the member retires after 31/3/2020, then an early payment penalty based on the period from the date of retirement to Age 65 will be applied to the membership arising from 1/4/2020. Early payment penalties are set out in the Table of Reduction factors on Page

Members born on or after 1/4/1960 - Protection

Members born on or after 1/4/1960, who have satisfied their rule of 85 by age 60 can receive their retirement benefits from Age 60, in which case:

Benefits based on scheme membership to 31/3/2008 will not be subject to an early payment penalty, but:

Benefits based on membership from 1/4/2008 will be subject to an early payment penalty. The penalty will be based on the period from date of retirement to Age 65.

Members born on or after 1/4/1960, who satisfy their rule of 85 between Age 60 and Age 65 can also receive their retirement benefits from Age 60, in which case:

Benefits based on scheme membership to 31/3/2008 will be subject to an early payment penalty based on the period from the date of retirement to the rule of 85 date, and:

Benefits based on membership from 1/4/2008 will be subject to an early payment penalty based on the period from on the period from date of retirement to Age 65.

Early payment penalties are set out in the Table of Reduction factors on Page

This Page is only of relevance to members who joined the Scheme before 1/12/2006

Entitlement

Ill Health Retirement - General

You can only be considered for ill-health retirement if an independent occupational health physician (OP) certifies that you are permanently unfit to continue in your job or a comparable job because of illness. To qualify, the OP must consider that it is more likely than not that you will be unable to return to your post before age 65.

Ill Health Retirement Under 2 Years' Membership

If you retire on ill health grounds with less than one year's *membership* and have not transferred in any pension rights, you will be entitled to a refund of contributions (see Page 15 for details)

If you have between one and two years *membership* and have not transferred in any pension rights, you will be entitled to a tax free lump sum of 1/12th of your *Final Pay* times the length of your *membership*.

Ill Health Retirement Over 2 Years' Membership

Once you have been a member of the Scheme for two years or if you have transferred in rights from another pension scheme, you become entitled to receive your pension and lump sum if you retire on ill-health grounds.

If you have been a member of the Scheme for at least 5 years, the period of *membership* used in the calculation will be increased to compensate for the fact that you are having to retire early.

The extra *membership* depends on how long you have already been a member. The table below gives the details:

Your Membership	*Extra Membership Granted*
Under 5 years	None
5 to 10 years	Membership doubled
10 to 13.3 years	Membership increased to 20 years
Over 13.3 years	6.6 years

In no case can the ill health addition be greater than the following period -

- from your date of retirement to age 65

If you are a part time employee, the ill health addition will be reduced and converted to the equivalent period of full time *membership*.

You will not qualify for ill health enhancement if you have been granted an ill health retiral from the Scheme previously.

Ill Health Retirement - Short Life Expectancy

If you have less than one year to live, your pension can be paid as a single lump sum of 5 times your annual pension. However, it is only the part of your pension in excess of the *Guaranteed Minimum Pension* which can be turned into a lump sum in this way.

Giving up your pension does not affect the amount of any future benefits paid to your *spouse* or *children*.

Before retiring in these circumstances you should discuss with your employer any alternative benefits which may be available.

Retirement on Redundancy or Efficiency Grounds

If you are made redundant or have to retire on efficiency grounds after you reach age 50, you will be entitled to receive your pension and lump sum immediately. Despite benefits being paid before age 65, there would be no reduction to your benefits, although your employer would be required to make a contribution to the Pension Fund commonly called a "strain payment".

To qualify, you must have at least 2 years ***membership*** or have had pension rights transferred in.

If you have at least 5 years *membership*, your employer may, at his discretion, award you an additional period of *membership*, called compensatory added years.

Compensatory Added Years can provide you with an extra pension and lump sum similar to the benefits from the LGPS. However, they are paid for directly by your employer and are NOT part of the LGPS arrangements and for that reason are not covered in any detail in this booklet.

Calculation

In the LGPS, the main benefits are an Annual Pension and a Tax Free Lump Sum calculated as follows: -

Annual Pension	**- 1/80th x Final Pay x Membership**
Tax Free Lump Sum	**- 3/80th x Final Pay x Membership**

The calculations are based on two important elements - *Final Pay* and *Scheme Membership.*

Final Pay

• the basic explanation

Final Pay is normally the pensionable pay you earn in the last year before you retire. Alternately, it can be your pensionable pay in one of the two years prior to your final year if that is higher.

• if you have been off sick

If your pay has been reduced in the last years of your employment because of illness, your *Final Pay* will be the pay you would have earned but for the illness.

• if you are Part Time

If you work on a part time basis, your *Final Pay* will be the pensionable pay you would have received if you had worked full time. For instance, if you work 50% of full time hours and actually earn £6,000 per year, your final pay will be £12,000.

To compensate, however, any part time membership will be reduced to it's equivalent full time length so, if you work 50% of full time for 10 years this will count as 5 years *membership.*

• if you have suffered a loss in pay

If your pay has been reduced through circumstances beyond your control within the last 10 years and you have received a special Certificate confirming this, your *final pay* will be the best year's pensionable pay from the last five years or the best three year average from the last 10 years whichever is the greater.

Scheme Membership

• the basic explanation

Membership is used in the calculation of scheme benefits. It is usually the period of time when you have been a member of the Scheme, plus any period of transferred in membership, plus any additional membership purchased or awarded.

• the maximum period which can be counted

With effect from 6/10/2006, there is no limit on the number of years of scheme *membership* which can be used in calculating retirement benefits.

If, however, the capital value of your accrued rights including other pension rights already in payment is above the so-called Lifetime Allowance set by HM Revenue and Customs, then any benefits over the limit will be subject to a tax charge

For more information about Pensions and Tax see page 19

• married males with a period of membership before 1/4/72

If you are a married male and have *membership* before 1/4/72, your retirement lump sum for this period would, until recently, have been calculated as 1/80th x Final Pay x Pre 1/4/72 membership.

From now on, the retirement lump sum relating to pre 1/4/72 *membership* will be calculated as 3/80ths x *Final Pay x* Pre 1/4/72 *Membership,* but the 1/4/72 *membership* will be reduced to 89% of it's actual length.

If you have already been paying contributions to increase the value of your pre 1/4/72 *membership* (known as buying back the 2/80ths reduction to your lump sum), this will continue. If you are in this category and leave, then any remaining pre 1/4/72 *membership* which has not been uprated will be reduced to 89% of it's actual length.

Calculation

Calculation of Retirement Benefits - An Example

Here is a simple example showing how retirement benefits are calculated.

In this example, a scheme member retires voluntarily at age 65 with 35 years membership and a Final Pay of £12,000,

Annual Pension	
1/80th x £12,000 x 35 (yrs)	£5,250
Tax Free Lump Sum	
3/80ths x £12,000 x 35 (yrs)	£15,750

Varying the Mix of Pension and Lump Sum

Although the core benefits of the Scheme are a "1/80th" pension and a "3/80ths" lump sum, you can reshape your benefits by swapping pension for lump sum.

Taking a Bigger Lump Sum

Under limits set by HM Revenue and Customs, you can take a tax free lump sum of up to 25% of the capital value of your pension rights in the Scheme. This does of course mean that your annual pension from the Scheme will be a bit smaller.

You work out the capital value of your rights using the following formula:

[(120 x pension) + (10 x lump sum) + (10 x AVC Fund)] / 7 = Capital Value

Your maximum tax free lump sum is 25% of the Capital Value. The reduction in your annual pension is the extra amount of lump sum divided by 12. The box below shows the maximum lump sum (and minimum pension) that could be taken for a pension of £5,250 and a lump sum of £15,750 as shown at the top of this column. In this case, it is assumed that there is no AVC Fund.

Points to consider about taking a Bigger Lump Sum

- Your decision is irrevocable
- Lump Sums are tax free
- Pensions are taxable
- Spouse/children's pension are unaffected
- Will your reduced pension be adequate?
- What is your long term state of health?

Box illustrating Maximum Lump Sum and Minimum Pension

Capital Value = [(120 x 5,250) + (10 x 15,750) + (10 x 0)] / 7 = £112,500

Maximum Lump Sum = 25% x 112,500 = £28,125

Pension Reduction = [28,125 - 15,750] / 12 = £1,031.25

Revised Annual Pension = 5,250 -1031.25 = £4,218.75

Other Useful Points

How your Pension keeps up with Inflation

Once you retire, your pension is increased on an annual basis so that it keeps pace with the cost of living. Similar increases are also made to spouse's and children's pensions.

The increase is commonly known as "Pensions Increase" and is usually payable in April each year. The percentage rate of increase is set by the Government and is based on the rise in the Retail Price Index for the year to the previous September.

Pensions Increase is only payable if you have reached age 55 or have retired on ill health grounds.

If you have retired before age 55 (other than on grounds of ill health), your pension will be increased when you reach age 55 by the total of the increases occurring between your date of retirement and age 55.

When you reach State Pension Age, the responsibility for increasing your pension is shared between the Council and the Government. Broadly speaking, the Government pays the increases on your Guaranteed Minimum Pension (GMP) as part of your State Pension entitlement. Increases on the balance of your pension in excess of the GMP are paid by the Scheme.

Commutation of Small Pensions

If the combined value of your retirement pension and lump sum (expressed as a pension) is less than 1% of the HM Revenue and Customs so called Lifetime Allowance, the Scheme may decide to pay you a single lump sum payment instead of continuing to pay your small pension.

(1% of the Lifetime Allowance in 2006/07 is 15,000)

The one-off payment provides you with a worthwhile lump sum instead of a trivial amount of pension each month. In return, the Council saves the administrative costs of processing a pension payment for you!

Tax of 20% is deductible from the payment.

Re-employed in Local Government

If you are receiving an LGPS pension from Falkirk Council and you start a new job with an employer who operates the LGPS, your pension may be reduced or even suspended, depending on the level of your pay on being re-employed.

In these circumstances, you should contact the Pensions Section at Falkirk Council so that we can assess whether your pension needs to be reduced

An adjustment will be needed if the total of your pension plus your new pay is greater than your pay at date of retirement (plus any intervening cost of living increases) .

If you are receiving an LGPS pension but not from Falkirk Council, contact that Fund's Administrator to find out if your pension is going to be affected.

Lump Sum

Death in Service

If you die whilst you are an active member, the Scheme will pay out a lump sum (called a "Death Grant") of twice your *Final Pay*.

If you are part time, the lump sum will be twice your actual pay, rather than being based on the full time equivalent for your post.

Death after Leaving the Scheme

If you die after leaving the Scheme but before you are entitled to receive your pension, your Death Grant will be

- 3/80ths x *Final Pay* x *Membership* plus any pensions increase arising between your date of leaving and date of death.

Death after Retirement

If you have retired, a Death Grant is only payable if you die within 5 years of retiring. If this happens, your Death Grant would be 5 times your annual pension less any pension payments already made.

To whom is the Death Grant paid?

As administrators of the Scheme, Falkirk Council decides who receives the Death Grant. However, before making any payment we will take your wishes into account. To help us do this, make sure you have completed a "nomination" form, which allows you to choose a person or persons to receive your Death Grant.

You can get a nomination form from the Pensions Section. Remember that if your circumstances change (e.g. you marry, divorce, have children) you may need to make a fresh nomination.

Inheritance Tax

Because the Council decides who receives the Death Grant, there is no liability under current tax rules for inheritance tax.

Spouse or Civil Partners Pensions

General

As well as providing a retirement pension for you, the Scheme also provides a pension benefit for your surviving *spouse* or civil partner.

A pension is payable to a spouse or civil partner for the rest of his or her life. In other words, the pension is unaffected if your spouse re-marries or co-habits after your death.

Pensions to Civil Partners are based on membership from 6/4/88 only.

Death in Service

If you die whilst you are an *active member* of the Scheme, then during the first three months after you die, your *spouse* will get a "short term" pension which in total is the greater of the following:

- 3/12ths x *Final Pay* or
- 3/12ths x (3/80ths x *Final Pay* x *Membership*)

If you have any dependent *children,* then the pension is payable for six months.

The short term pension is followed by a long term pension which is calculated as follows: -

- if you have under 2 years membership
  1/160th x *Final Pay* x *Membership*
- if you have over 2 years membership
  1/160th x *Final Pay* x *Membership* (where "membership" is the period which would have been used if the member had retired on Ill Health Grounds instead of dying).

Death after Leaving the Scheme

If you die after leaving the Scheme but before you are entitled to receive your pension, your *spouse* is entitled to a long term pension, calculated as follows:-

- 1/160th x *Final Pay* x *Membership*

Death in Retirement

If you die after you retire, then for the first three months after your death, your *spouse* will receive a "short term" pension at the same rate as your retirement pension. If you have any dependent *children,* then this pension is payable for six months.

The short term pension above is followed by a long term pension which is half of your retirement pension.

Other Points regarding Spouse's or Civil Partners Pensions

The following points regarding spouse's pensions should also be considered:-

- spouses and civil partners attract annual pensions increases
- if you marry after you leave the Scheme special rules apply and your dependant may not get a full pension entitlement
- widower's pensions are based on membership arising between 1/4/72 and the date of the member's death
- membership prior to 1/4/72 only counts towards a widower's pension if extra contributions have been paid to cover this
- civil partners survivor pensions are based on post 5/4/88 membership only, unless an election to buy back pre 5/4/88 membership has been made. Such elections must be made within 6 months of the later of entering the civil partnership or joining the Scheme

Children's Pensions

General

The Scheme also provides pensions for your *children* (see definition of *child* on Page 3).

Children's pensions are payable until a *child* reaches age 17 or ceases full time education. Children's Pensions cannot be paid beyond age 23 unless the child is permanently incapacitated. A pension cannot be paid to a child born more than one year after the death of the deceased member.

The pension is usually paid to the parent or guardian of the child but in certain circumstances, can be paid directly to the child or in trust for the child.

Death in Service

If you die whilst you are an *active member* of the Scheme, then for each of the first six months after you die, your *children will* share a pension which is:

- 1/12th x Final Pay per month

If a spouse's short term pension is also being paid, then the child's pension is payable for three months only.

Once any short term pension has been paid, then each child up to a maximum of two children becomes entitled to a long term pension, which would be the greater of the following:-

- 1/320th x *Final Pay* x *Membership* (where "membership" is the period which would have been used if the member had retired on Ill Health Grounds instead of dying).
- 1/320th x *Final Pay* x *Membership* (where "membership" is the lesser of 10 years or the deceased's potential membership at age 65)

Where there is no long term spouse's pension being paid then the above fraction of 1/320th is replaced by the fraction 1/240th.

Death after leaving the Scheme

If you die after leaving the Scheme but before you are entitled to receive your pension, each child up to a maximum of two *children* is entitled to a long term pension only, which would be the greater of the following:-

- 1/320th x *Final Pay* x *Membership* (i.e. Membership at date of leaving
- 1/320th x *Final Pay* x *Membership* where "membership" is the lesser of 10 years or the deceased's potential membership at age 65

Where there is no long term spouse's pension being paid then the above fraction of 1/320th is replaced by the fraction 1/240th.

Death after Retirement

If you die after you retire, then during the first six months after your death, your *children* will share a pension based on the same rate as your retirement pension.

If a spouse's short term pension is also being paid, then the child's pension is payable for three months only.

The short term pension above is followed by a long term pension which is one quarter of your retirement pension.

Other points regarding Children's Pensions

The following points regarding children's pensions should also be considered: -

- Children's Pensions attract annual pensions increases
- if more than 2 children are eligible to receive a long term pension, then the maximum entitlement i.e. 2 children is shared between all the eligible children. If one child thereafter ceases to be eligible, the total amount still due is redistributed amongst the remaining eligible children.
- a child's pension entitlement can be reduced if the child receives earnings in the course of training for a profession, trade, etc

Options

The Basic Options

If you leave or opt out of the *LGPS* before retirement, there are several options open to you.

If you have less than 2 years *scheme membership* and you have not transferred any membership in from another Scheme, the choice is:-

- to transfer your LGPS rights out to another pension arrangement, or
- to take a refund of your contributions or
- to delay taking a refund in anticipation of transferring or returning to the Scheme at a later date

If you have 2 or more years *scheme membership* or if you have transferred membership into the Scheme, the choice is:-

- to transfer your LGPS rights out to another pension arrangement, or
- to keep your LGPS rights in the Falkirk Council Pension Fund (in the form of a "'Deferred Benefit"

Refund of Contributions

If you leave the Scheme within two years, and haven't transferred benefits from a previous scheme, you can ask to have your contributions refunded to you.

You will not get back all the contributions you have paid. A deduction of income tax at the rate of 20% will be made, along with an amount equal to the National Insurance contributions you would have paid had you not been in the Scheme. Normally, these deductions mean that your refund will be around 60% of the contributions you paid.

You cannot receive a refund of contributions if you start working for another LGPS employer within one month and one day of leaving the scheme.

Falkirk Council will pay a refund to you one year after you leave the scheme, unless you claim a refund sooner than this or elect to transfer your rights to another pension arrangement.

If you think that you might want to transfer your rights to another pension arrangement at some point in the future, you can elect to delay receiving a refund of contributions on an annual basis. Remember that if you eventually do not transfer, all that will be paid to you is your original refund.

Please note that a refund extinguishes all previous rights you hold in the Scheme.

Deferred Benefits

If you leave the LGPS and

- you have at least 2 years membership or
- you have under 2 years membership but have transferred in some membership

then you are entitled to a Deferred Benefit.

If you subsequently transfer your LGPS rights out of the Scheme, your entitlement to a deferred benefit is cancelled.

A deferred benefit consists of an annual pension and a lump sum. The benefit is calculated just like a normal retirement benefit (see Page 10) and is based on *final pay* and length of *scheme membership***.** The pension and lump sum are increased each year in line with the rise in the retail price index.

Deferred benefits are normally payable from age 65, but they can be paid from age 60 subject to an early payment penalty. The table on Page 7 gives details of the percentage of benefit you will lose if your benefit is paid early.

If you are a member who joined the LGPS before 1/12/2006, you may be able to access an unreduced benefits prior to Age 65 but this will depend on whether you are a protected member as described on Page 8.

Benefits can also be paid before age 65 in the following circumstances:-

- on ill health grounds if' you are deemed permanently unfit for your former duties; or
- on compassionate grounds at any time from age 50 (this is at the discretion of your former employer), or
- you are aged 50 or over and you ask to have your benefits paid straight away. Your employer has to give his agreement to this. As there is likely to be costs associated with releasing your benefits early, your employer may withhold his consent.

Transferring your Pension Rights

You can request that your pension rights in the *LGPS* be transferred to the scheme of your new employer or to another pension arrangement which has been approved for tax purposes.

Transferring pension rights involves Falkirk Council paying a sum of money to your new scheme. The sum of money represents the capital value of your rights in the *LGPS*. Once the monies have been paid to the new scheme, you cease to have any claim on the Falkirk Council Pension Fund.

Transfers can be made to

- another LGPS Fund, or
- another Public Sector Pension Scheme, or
- a non public sector scheme, or
- a personal pension or buy out plan

Transfers within the LGPS

If you transfer to another LGPS Fund, you will be credited with the same period of membership that you have accrued in the Falkirk Fund.

The LGPS is a national Scheme and although there may be slight differences in the way the scheme is operated by the various local authorities, in the majority of cases it will be of advantage to transfer particularly if you have moved to a post with a higher salary.

Transfers in the Public Sector

A number of Public Sector Pension Schemes, like the LGPS, participate in what is known as the Public Sector Transfer Club.

If you transfer to a "Club" Scheme, then preferential terms will apply and you will probably be granted a longer period of *membership* in your new scheme than otherwise would have been the case. To qualify for the preferential terms, you must apply for a transfer within 12 months of joining the Club Scheme.

All Transfers

Whether or not you transfer your pension rights is a decision which may have major financial repercussions for you and your family over the course of a long number of years. It is therefore vital that you are aware of the issues at stake and that you obtain as much information as possible to make a informed decision.

Opposite is a checklist of some points which you may need to consider.:

Checklist

- does your new scheme have a time limit within which you must elect to transfer?
- Falkirk Council require you to apply for a transfer within 12 months of joining a new scheme unless you are entitled to an *LGPS* deferred benefit,
- you might not be able to transfer if you are within one year of your *normal retirement age*
- the transfer value offered by Falkirk may not buy you the same length of membership in your new scheme. You should therefore get an estimate of what the transfer will buy in your new scheme
- you should assess the range and quality of benefits offered by your new scheme and compare these against the benefits you will be giving up in the LGPS. For example, are benefits in the new scheme protected against inflation? What terms are available for ill health retirement, etc?
- the Pensions Section at Falkirk Council can provide information about the transfer process. However, they cannot give specific advice on individual cases. For this sort of help, contact an independent financial adviser

What to tell your New Scheme

When you join a new pension scheme, you will probably be asked if you have any existing pension rights. That is your cue to tell your new scheme about your *LGPS* rights with Falkirk Council.

If your new scheme administrator wants some details about the *LGPS*, you should advise that it is a Final Salary Statutory Scheme providing defined benefits and is approved under Chapter 1, Part XIV of ICTA 1988. The Scheme is also Contracted Out.

Getting a Transfer Quotation

By law, we must give you a transfer quotation within three months of you asking If we cannot do this, perhaps because your employer has not given us all the information we need, we have a period of a further three months in which to resolve matters.

The transfer value quoted by us will be guaranteed for three months. If you accept the transfer within the three months period, then we will pay the guaranteed transfer value to your new scheme within 6 months of calculating the original transfer.

If payment is delayed beyond this date, then we will add interest on to the original transfer.

Extra Benefits Paid For By You

General

You can choose to increase your rights in the *LGPS* by paying extra contributions.

You have a choice as to how you do this, but all options provide a very tax efficient way for you to boost your benefits as tax relief is given on any extra contributions paid.

Buying Added Years

This involves you paying a fixed percentage of your pay in order to buy an extra period of *scheme membership.*

The maximum period you can buy is 6 years 243 days.

The benefits which result from you buying an extra period of membership are of exactly the same type and quality as the benefits you get by paying your basic contribution (i.e. they will be guaranteed and protected against inflation) .

Additional Contributions are payable from the birthday after you decide to start paying until Age 65

The amount you have to pay is related to your retirement age; whether you are male or female; and the period of membership you wish to buy. The table below gives you an idea of the cost, as a percentage of pay, of buying one extra year of *membership.*

Age next birthday	NRA of Age 65	
	M	F
28	0.43%	0.46%
34	0.55%	0.58%
40	0.72%	0.76%
46	1.01%	1.06%
52	1.55%	1.63%
58	2.93%	3.05%

Before your application to buy added years is accepted, you will have to undergo a medical to confirm that you are in a reasonable state of health. This is because if you die or retire on ill health grounds the extra period of *membership* you are buying will be included in full in the calculation of your benefits.

Paying Additional Voluntary Contributions (AVC's)

As a member of the *LGPS*, you can pay AVC's to build up an individual retirement fund for yourself. This is done by you paying extra contributions to the Council's AVC provider - Standard Life.

You decide how much you want to contribute. Whether you want to pay a lump sum or by regular instalments, your AVC must be made by Payroll deduction.

Your AVC's are invested by the AVC provider and grow free of tax. On retiring, your Fund can be used to buy a pension (called an "annuity") for yourself and/or your spouse. You must buy your AVC pension before you reach age 75.

Annuities can be bought directly from the scheme; from our AVC Provider Standard Life; or from an insurance company of your choice. Alternatively, your AVC pot can be taken as a lump sum (subject to the AVC and any fund lump sum not exceeding 25% of the value of your pension rights). To take the entire fund in the form of a lump sum, you must elect to receive the AVC at the same time as your other retirement benefits.

Buying Additional Life Cover

You can also use AVC's to provide an additional death in service lump sum of up to twice annual salary. The lump sum would be paid out in the event of your death.

Because immediate tax relief is given, this is a relatively cheap way to provide extra life assurance.

The cost of providing life cover is calculated according to your age. This means that if you want to keep your cover at a certain level, you have to pay slightly more each year.

The facility is provided by Standard Life. More information can be obtained by contacting the Pensions Section.

Shared Cost AVCs

The scheme rules give employers the discretion to set up a Shared Cost AVC arrangement (SCAVC). If such a scheme were set up your employer would make a contribution to your AVC Fund. The policy statement on Page 21 will tell you if an SCAVC has been set up by your employer.

Extra Benefits Paid For By You (continued)

Free Standing AVC's (FSAVC's)

An FSAVC is an AVC plan which you have arranged yourself with a bank or insurance company and not Falkirk Council. Although an FSAVC offers freedom of choice over where your funds are invested, it is an individual arrangement and so tends to carry a higher administration fee than the in house AVC arrangement.

Stakeholder Pensions

A Stakeholder Pension is a type of personal pension that is available from Insurance Companies, Banks, etc. By law, most employers must provide a stakeholder scheme for their employees, however local authorities are exempt because they already offer the *LGPS*.

If you are thinking of "topping up " your pension rights, you should consider the stakeholder option, since unlike AVC's, some of the benefits can be taken as a tax free lump sum.

Inland Revenue Limits

If the total value of your pension rights from all sources exceeds a certain amount, then tax has to be deducted from the excess amount.

The threshold is £1.5 million and therefore only affects higher earners.

There is more information about this on Page 18.

Important

Consider getting independent financial advice before deciding to increase your benefits.

The Pensions Section at Falkirk Council will be able to give you further information on increasing your benefits.

Extra Benefits Paid For By Your Employer

Augmentation

Your employer has discretion to grant you an extra period of membership prior to you leaving the scheme.

The extra period of *membership* cannot be more than

- the period of time till you reach age 65, or
- 6 years 243 days

whichever period is the shortest.

If your employer decides to grant you extra membership, he will have to make a special employer's contribution to the Pension Fund to cover the cost of giving you the extra benefits.

Important

Your employer's policy statement will tell you how it intends to exercise it's discretion in relation to granting extra periods of membership. You can view a copy of the statement on Page 23.

Pensions and Taxation

Some History

For many years, successive governments have encouraged pensions saving by offering tax incentives. These have included tax relief on employee contributions; tax free lump sums and allowing pension scheme investments to accumulate free of tax.

Because of the valuable nature of these tax breaks, restrictions have invariably been placed on the level of investment that individuals could make to pension arrangements. Prior to 6th April, 2006, this meant:

- Contributions limited to 15% of annual pay
- No concurrent membership of occupational and personal pension schemes
- Benefits limited to 2/3rds of final pay
- Benefits only payable on retirement or death
- AVC's had to be taken in pension form

New Regime

From 6th April, 2006, HM Revenue and Customs have moved away from the restrictive regime of the past and introduced a "simplified" approach where there are fewer limits on contributions and benefits. For example, from 6th April, 2006 you can pay up to 100% of your taxable earnings in any tax year into any number of concurrent pension arrangements of your choice and still receive tax relief on the contributions.

Under the new regime, there are two main allowances – a lifetime allowance and an annual allowance. If your benefits exceed these allowances, you will have to pay tax on the excess benefits. It is anticipated that the new allowances will only affect higher paid persons.

Lifetime Allowance (LTA)

The Government sets the LTA annually. The allowance for 2006/07 is £1.5 million. If the total value of all your pension arrangements in payment (excluding your State Pension) exceeds £1.5 million, you must pay tax at the rate of 22% on the excess benefits if you take them in pension form or 55% if you take them in lump sum form.

In broad terms, you calculate the value of your pension rights by multiplying your annual pension by 20 and adding on the tax free lump sum

Annual Allowance

The Government sets the annual allowance. The allowance for 2006/07 is £215,000. This means that if the amount by which your benefits have increased in the year to 31st March is greater than £215,000, then you must pay tax on the excess benefits at the rate of 40%.

Protections

There are protections for benefits earned up to 5th April, 2006 in respect of those higher earners adversely affected by the introduction of the LTA on 6th April, 2006.

If the value of your rights exceeds the LTA by 6th April, 2006, you can register for **primary protection** so that you have an individual lifetime allowance based on the value of your rights at 5th April, 2006 and increasing in line with increases in the standard lifetime allowance thereafter.

You can also register for **enhanced protection** if your rights exceed the LTA by 5th April, 2006 or if you think they will exceed the LTA at some point in the future. Under enhanced protection, you do not pay tax on the excess benefits, provided your post 5/4/06 benefits have not increased broadly speaking by more than 5% per year.

In both cases – primary or enhanced protection, you must register with HM Revenue and Customs by 5th April, 2009.

Pensions and Divorce

Background

Pension rights are recognised as being an important financial asset and, in some cases, a scheme member's most valuable asset.

Since the mid 1980's, the law has required pension rights to be taken into account in divorce settlements and there are now a number of ways in which Courts can address the issue.

Set off

In the past, the most common approach was for the value of the pension rights to be offset against the value of other matrimonial assets. This involves a capital value being placed on the member's pension rights and the Courts allocating part of this capital sum to the member's spouse.

The member gets to keep the pension rights in full, but has to pay for the spouse's share of the pension rights out of the remaining matrimonial assets. Unfortunately, this can lead to the situation where the scheme member holds pension rights which may not be paid out for a number of years, but in return has to give up immediately rights to assets, such as the family home.

Earmarking

A further option at the disposal of the Courts is "earmarking". With earmarking, the scheme member has to pay all or part of his or her retirement lump sum to the ex-spouse when it becomes payable on retirement.

The disadvantage here is that the ex-spouse has no control as to when the lump sum will be paid, since this depends on when the scheme member decides to retire. Indeed, if the scheme member dies before retirement is reached, the earmarked sum may never actually be paid to the former spouse.

Pensions Sharing

From December, 2000, Courts have been able to issue Pensions Sharing Orders which allow pension rights to be split at the point of divorce. The effect of the Sharing Order is that the rights of the scheme member are reduced (i.e. they suffer a "pensions debit"), whilst the ex-spouse is granted a "pensions credit", and becomes a member of the scheme in his or her own right .

A Sharing Order can be made whilst a person is a current scheme member, a deferred member or a pensioner member.

Here are some points to consider if you are subject to a Sharing Order

Pension Debit Members

- your scheme benefits will be reduced to take account of the Sharing Order
- if you remarry, your spouse's pension will be based on your reduced entitlement
- if you are a "lower" earner (around £24k pa, you will be able to pay more contributions than normal to rebuild your rights
- children's pensions are unaffected by a Sharing Order

Pension Credit Members

- you will become a member of the *LGPS* in your own right unless you elect to transfer your credit immediately after divorcing
- you can transfer your pension credit to a "qualifying" pension arrangement at any time up to age 65
- your benefits will consist of a pension and tax free lump sum payable when you reach age 65
- your pension will be increased in line with the rise in the retail price index
- if are already 65 when you divorce, a pension will be paid immediately but you there will be no lump sum payable
- your benefits can only be paid out before age 65 you have a life expectancy of less than one year
- a lump sum is payable if you die before age 65 or before receiving your pension for at least 5 years
- your benefits can paid out in a single lump sum payment if your pension at age 65 is very small
- you cannot combine your pension credit with any other rights you may have in the ***LGPS***
- your pension credit is independent from the scheme member's benefits, so there is no effect on your award if your former spouse retires, dies or remarries

Pensions and Divorce

Administration

If you are engaged in divorce proceedings, you will need to provide certain pensions information to the Court. The Pensions Section can provide this information once you complete a Request Form.

The spouse of a scheme member is not entitled to information about the member's personal benefits, but is entitled to information about the Pensions Sharing process in general.

Charges

It is recognised that divorce matters place an administrative burden on pension schemes. Because of this, schemes are able to recover their costs in certain situations (e.g. implementing a Pensions Sharing Order).

A written schedule of charges in relation to Pensions and Divorce is available from the Pensions Section.

Appeals Process

Complaints and Appeals Procedures

If you have a complaint about the quality of service provided by the Pensions Section please bring this to the attention of the Head of Payroll and Pensions (Tel. 01324 506333) or the Pensions Manager (Tel. 01324 506304).

If you are dissatisfied with a decision which your Employer or the Pensions Section has made regarding your pension rights, you should raise the matter with the Pensions Section who will do their best to try to resolve the problem.

If, sadly, your problem remains unresolved, there is a two stage appeals process which you can invoke (known as the "internal disputes resolution procedure") .

Stage 1 involves your complaint being heard by an independent referee. You should make your complaint within six months of being told about the decision you want to appeal against.

If you are not happy with the decision of the independent referee, you can invoke Stage 2 of the procedure. This involves an appeal to the Scottish Ministers, which must be made within six months of the independent referee's decision.

If you wish to lodge an appeal, you can get an application form from the Pensions Section of Falkirk Council.

At any stage in the process you can consult the Occupational Pensions Advisory Service (OPAS) - see Page 20.

Pensions Mis-selling

Mis-selling of Personal Pensions

If, in the past, you had the chance to join the *LGPS*, but were instead sold a personal pension plan, you may have been given bad financial advice and be entitled to have your case reviewed by your personal pension provider. Contact them if you think this is the case.

If successful, you may be entitled to have your rights in the *LGPS* restored retrospectively. If this is not possible you may still be entitled to other compensation from your personal pension provider.

If you have been mis-sold a personal pension and are dissatisfied with the way your personal pension provider has compensated you, you can get advice and guidance from the:

Personal Investment Authority 7th Floor, 1 Canada Square, London E14 5AZ

Useful Contacts and Addresses

The Pensions Advisory Service (TPAS)

In recent years, the Government has set up a framework of national organisations to control the pension industry.

TPAS (formerly OPAS) is part of this framework and offers help and guidance to members and beneficiaries of occupational pension schemes. TPAS is the organisation which you can contact if you have been unable to resolve a complaint through the internal disputes resolution procedure. To contact TPAS you should write to

TPAS Headquarters
11 Belgrave Road, London SW1V 1RB

Pensions Ombudsman

The Ombudsman investigates complaints which OPAS has not been able to settle.

Generally, before a complaint is raised with him, the Ombudsman will expect it to have been considered by your employer, the Scheme, the Scottish Ministers and OPAS.

The Ombudsman can adjudicate on questions of fact or law as well as issues of maladministration, but cannot investigate matters where legal proceedings have already begun.

The Ombudsman is at the same address as OPAS.

Pensions Regulator

The Pensions Regulator has wide powers to investigate work based pension scheme in the UK Its main role is to protect members' interests and intervene where trustees, employers or professional advisers have failed in their duties. You can contact the Regulator at:

Napier House, Trafalgar Place,
Brighton, East Sussex
BN1 4DW

Data Protection

Falkirk Council holds information about each scheme member on computer.

Under the terms of the Data Protection Legislation, you have the right to request and be given a copy of all information held about you. This allows you to check that any details we hold about you are accurate.

The legislation is enforced by the Information Commissioner, whose address is as follows:

Wycliffe House, Water Lane
Wilmslow , Cheshire, SK9 5AF

Tracing Lost Pension benefits

Like all pension schemes, the *LGPS* has had to give information about itself to the Registrar of Pension Schemes.

The Registrar's main responsibility is to act as a tracing service for individuals who have pension rights but have lost touch with their scheme administrator or former employer.

If you wish to use the service, you should write to:

The Registry of Occupational and
Personal Pension Schemes
PO Box INN
Newcastle Upon Tyne NE99 INN

Where can I get more information?

The staff of the Pensions Section are available to answer any queries you may have regarding your pension rights. The Pensions Office is located in the Municipal Buildings of Falkirk Council and is open Monday to Friday (9.00 AM to 5.00 PM) Messages can also be left on a telephone answer machine.

Our contact details are as follows:

Pensions Service
PO Box 14882
Falkirk Council
Municipal Buildings
Falkirk
FK1 5ZF

Tel. 01324-506325 (Benefit queries)
Tel. 01324-506329 (Other queries)

Fax 01324-506303
e-mail pensions@falkirk.gov.uk

(enquiries can also be made via the Pensions pages of the Falkirk Council website - www.falkirk.gov.uk)

POLICY STATEMENT

Employer Discretions

The Local Government Pension Scheme contains a number of provisions which employers can apply on a discretionary (i.e. optional) basis. This Policy Statement summarises how the employers in the Falkirk Council Pension Fund intend to exercise these discretions.

Discretions to be exercised by Fund Employers

<u>Discretion</u>	<u>Policy</u>
AVC Arrangements Employers may implement a Shared Cost Additional Voluntary Contribution arrangement (i.e. an AVC to which an employer contributes)	Employers will not implement a Shared Cost AVC arrangement
Opting Out Employers may prevent an employee, who has previously opted out, from rejoining the Scheme	Employers will decide whether or not to re-admit employees after considering an individual's medical history
Early Payment of Benefits A scheme member who is aged between 50 and 60 can request the immediate release of their retirement benefits	Employers will consider all relevant factors, including the costs, and only where it can be demonstrated to be in the interests of the employer will an election be authorised
Augmentation of Membership Employers can choose to grant an extra period of membership up to a maximum of 6 and 2/3rds years	Employers will consider all relevant factors, including the costs, and only where it can he demonstrated to be in the interests of the employer will extra service be granted
Widower's Pensions Employers may allow female scheme members to count service from 1/4/72 to 5/4/88 in the calculation of widower's benefits	Employers have deemed that service from 1/4/72 to 5/4/88 should count towards the calculation of widower's benefits

Policies relating to Employer discretions can be subject to periodic review and may he changed from time to time

Scheme Discretions

The Scheme also requires Falkirk Council, as administrators of the Scheme, to establish policies in a number of areas. These are set out as follows:

Discretions to he exercised by Falkirk Council as Scheme Administrators	
Discretion	**Policy**
Medical Issues The administrators can choose to review the medical arrangements of the Fund employers to ensure consistency and fairness of treatment when considering medical matters	The Director of Finance and Head of Personnel Services will, in conjunction with the Fund employers, review and approve. the arrangements for granting ill health retirement
Employers' Contributions The scheme allows the administrators to review an employer's contribution where it is considered that the employers' actions may place a strain on the fund	The Director of Finance will monitor the liabilities of the Fund and, where necessary, obtain from the Fund Actuary, a Certificate of revised contributions for an employer
Lump Sum Death Benefits The administrator is required to decide the recipient(s) of any Lump Sum Death Benefit payable from the Scheme	The Directors of Finance, and Law and Administration will consider the circumstances of each case and will pay the Death Gratuity to, or in respect of, an appropriate person or persons
Pensions and Re-employment The administrator can decide that a pension of a former scheme member will no longer be subject to reduction if that person is re-employed in local government.	The Director of Finance will continue to apply the abatement provisions and consequently, the pension of a former scheme member will be subject to reduction if that person is re-employed in local government

Policies relating to Scheme discretions are be subject to periodic review and may he changed from time to time