A Guide to the Isle of Man

Local Government Superannuation Scheme (LGSS)

April 2012

Index

About this Booklet

The information in this booklet is based on the Local Government Superannuation Scheme Regulations 2012 (effective from 1st April 2012) and other relevant legislation. It applies to individuals who were contributing members of the Local Government Superannuation Scheme on 1 April 2012 or who have since joined. The booklet is for employees on the Isle of Man and reflects the provisions of the LGSS and overriding legislation at the time of publication in April 2012. The Department of Infrastructure may make changes to overriding legislation and, after consultation with interested parties, may make changes in the future to the LGSS.

This booklet is for general use and cannot cover every personal circumstance nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this booklet does not confer any contractual or statutory rights and is provided for information purposes only.

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

Where pension terms are used, they appear in purple type. These terms are defined at the back of this booklet.

Who runs the LGSS?

The LGSS is a pension scheme for people working in local government on the Isle of Man or working for other types of employer participating in the scheme. The LGSS is administered by Capita Hartshead on behalf of Douglas Corporation.

LGSS rules

The scheme regulations are made by the Department of Infrastructure and are based on the regulations that applied in England and Wales from 2008 and modified accordingly. Changes to the rules can only be amended with the approval of Tynwald. Douglas Corporation must keep you informed of any changes that are made.

The LGSS is a statutory public service scheme.

LGSS responsibilities

Information

As the Administering Authority, Douglas Corporation is required to:

- issue annual benefit statements to scheme members (other than to pensioners).
- have a statement setting out their policy on communicating with scheme members, members' representatives, prospective members and employers.

You are entitled to obtain a copy of the Local Government Superannuation Scheme Regulations 2012. A copy of the Regulations is available on the Tynwald website at **http://extranet.tynwald.org.im/SD/2012/Forms/AllItems.aspx** listed under 2012-SD-0401 or may be inspected at Douglas Corporation' offices. In addition, you are entitled to view, and take copies of, the Fund's Annual Report and Accounts.

Decisions

The regulations give specific responsibilities to scheme employers and the pension fund administrator, each of whom must make decisions in relation to some matters and can exercise their **discretion** in relation to others. Douglas Corporation's Pension Committee oversee the pension scheme in a similar role to trustees of other pension schemes.

Funding

As a scheme member, you will pay contributions to the LGSS. Your employer pays in the balance of the cost of providing your benefits after taking into account investment returns. Every three years, an independent actuary calculates how much your employer should contribute to the scheme. The amount will vary, but generally the present underlying assumption is that employees contribute approximately one third of the scheme's costs and the employer contributes the rest. However, increases or decreases in the cost of providing the scheme may, in future, need to be shared between members and employers, in accordance with government guidance.

In this section we look at your pension's choice, who can join the LGSS, and the cost of joining.

Where pension terms are used, they appear in purple type. These terms are defined at the back of this booklet.

Your retirement is a goal to look forward to. However, if your retirement is to meet your expectations, you need to plan for your income in retirement.

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

These are described briefly below.

Local Government Superannuation Scheme

The Local Government Superannuation Scheme (LGSS) is a statutory, funded pension scheme. As such it is very secure because its benefits are defined and set out in law.

Highlights of the LGSS are:

A secure pension –

The benefits you get when you retire are based on the length of your membership in the scheme and your final year's **pay**. The pension you build up during your employment keeps pace with your pay rises. And after you retire, your pension keeps pace with cost of living increases.

Tax-free cash–

You have the option to exchange part of your pension for some tax-free cash on your retirement.

Peace of mind –

Your family enjoys financial security, with immediate life cover and a pension for your husband, wife, **civil partner or nominated co-habiting partner** and **eligible children** in the event of your death, and, if you ever become seriously ill, you could receive immediate ill health benefits.

Early retirement –

You can choose to retire from age 60 and receive your benefits immediately, although they may be reduced for early payment. It's also possible to retire from age 55 and receive your benefits immediately, provided you have your employer's consent or you are made redundant or retired in the interests of business efficiency.

Flexible retirement–

If you reduce your hours or move to a less senior position at or after age 55 you can, provided your employer agrees, draw some or all of the benefits you have built up, helping you ease into retirement, although your benefits may be reduced for early payment.

Options to pay extra –

You can boost your pension by paying more contributions. You get tax relief on these, too.

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

The LGSS is **contracted-out** of the **State Second Pension (S2P)**.

State Second Pension (S2P)

The **State Second Pension (S2P)** is part of the State Pension payable in addition to the flat rate Old Age Pension. Benefits are paid by the Department of Social Care and cannot be paid before **State pension age**. Initially, S2P was an earnings related pension but from April 2009 it began building up as a flat rate pension, achieving full flat rate accrual by around 2030.

Personal Pension Plans and Stakeholder Pension Schemes

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

Joining the Local Government Superannuation Scheme (LGSS)

Who can join?

The LGSS is offered by **local government** employers and by other organisations that have chosen to participate in it.

If you are eligible for membership of the LGSS you will automatically become a member. You have the right to decide not to join the scheme.

To be able to join the LGSS you need to have a contract of employment that's for at least 3 months, be under age 75 and work for an employer that offers membership of the scheme. If you are employed by a **designating body**, such as a Parish District, a Joint Board, or by a non-local government organisation which participates in the LGSS (an **admission body**), you can only join if your employer designates you for membership of the scheme.

Teachers, police officers, operational firefighters and, normally, employees eligible to join another statutory pension scheme are not allowed to join the LGSS.

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

If you currently contribute to a personal pension plan or stakeholder pension scheme and decide to join the LGSS, you can, if you wish, still continue to make your own contributions to the personal pension or stakeholder pension scheme or you can stop paying into it and consider transferring it into the LGSS.

You can, if you wish, pay up to 100% of your total taxable earnings in any one tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme) and be eligible for tax relief on those contributions.

Under tax rules there are controls on how much the value of your pension benefits may increase in any one year without you having to pay a tax charge – most people will not be affected by these controls. To find out more, see the section on **Tax Controls and Your LGSS Benefits**.

What happens if I have a contract for less than 3 months which is subsequently extended?

If you have a contract of employment for less than 3 months which is subsequently extended so that the total period is for 3 months or more, you will (provided you are otherwise eligible to join the scheme) automatically be entered into the scheme upon the extension of the contract unless you are employed by an **admission body**, in which case you would have the right to opt to join. Also, unless you are employed by a **designating body** or by an **admission body**, you can backdate your membership to your first day of employment by paying the relevant contributions (provided you apply to your employer do so within 3 months of becoming eligible to join the scheme unless your employer allows you longer).

Contributions

What do I pay?

Your contribution rate depends on how much you are paid but it's currently between 5.5% and 7.5% of your **pay**. The rate you pay depends on which pay band you fall into. Your employer decides which pay band you fall into.

Here are the pay bands and the rates that apply from April 2012.

If your Whole-Time Pay Rate is:	You pay a contribution rate of:
Up to £13,500	5.5%
£13,501 to £15,800	5.8%
£15,801 to £20,400	5.9%
£20,401 to £34,000	6.5%
£34,001 to £45,500	6.8%
£45,501 to £85,300	7.2%
More than £85,300	7.5%

For example, someone who works full-time at a pay rate of £16,000 would pay a contribution rate of 5.9%

The pay band ranges will be increased each April in line with the cost of living.

If you work part-time hours your contribution rate is based on the whole-time **pay** rate for your job, although you will only pay contributions on the pay you actually earn. For example, someone who works half-time with an actual **pay** of £10,000 a year will pay a contribution rate of 5.9% as their whole-time pay rate is £20,000.

If you work term time weeks in a role that requires this type of work pattern (e.g. in a school) your contribution rate is based on the whole-time pay rate for term time working, although you will only pay contributions on the **pay** you actually earn. For example, someone who works full-time hours for 44 weeks a year, with an actual **pay** of £15,000 will pay 5.8%. If they were to work half-time for 44 weeks with an actual pay of £7,500, then they would still pay 5.8% as their whole-time rate for term time working would still be £15,000.

You pay contributions on your normal salary or wages plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

If you have no contractual hours of employment, contributions are deducted on all your pay up to the full-time hours for your job.

You should check your payslip to make sure that pension contributions are being deducted.

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

What does my employer pay?

Your employer pays the balance of the cost of providing your benefits after taking into account investment returns. Every three years, an independent actuary calculates how much your employer should contribute to the scheme. The amount will vary, but generally the present underlying assumption is that employees contribute approximately one third of the scheme's costs and the employer contributes the remainder. However, increases or decreases in the cost of providing the scheme may, in future, need to be shared between members and employers, in accordance with government guidance.

Do I receive tax relief on my contributions?

You receive tax relief on your contributions. To achieve this, your contributions are deducted from your salary before you pay tax. So, for example, if you pay tax at the rate of 10%, every £1 that you contribute to the scheme only costs you 90p net. There are restrictions on the amount of tax relief available on pension contributions. To find out more, see the section on **Tax Controls and Your LGSS Benefits**.

What about my National Insurance contributions?

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

Can I make extra contributions to increase my benefits?

You can increase your benefits and / or those for your dependants by paying additional contributions to buy extra LGSS pension, or by making payments to the scheme's **Additional Voluntary Contributions (AVC)** arrangement, or by paying contributions into a personal pension, stakeholder pension or Free-standing AVC scheme of your own choice. These options are explained in more detail in the section on **Increasing your Benefits**.

Is there a limit to how much I can contribute?

At the present time there is no overall limit on the amount of contributions you can pay (although there is a limit on the extra LGSS pension you can buy and on the amount you can pay into the scheme's AVC arrangement). However, tax relief will only be given on contributions up to 100% of your taxable earnings (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme). Additionally, under tax rules there are controls on how much the value of your pension benefits may increase in any one year without you having to pay a tax charge – most people will not be affected by these controls. To find out more, see the section on T**ax Controls and your LGSS Benefits**.

I'm already paying into the LGSS in my other job – can I also join in this job?

If you are already paying into the LGSS and you get another job as well where your employer offers you membership of the scheme, you can be a member of the LGSS in both positions, provided you are eligible to join (see the paragraph above on Who can join?). You will build up two separate sets of pension rights and receive two separate retirement packages.

If you leave one of the jobs before leaving the other, you will have the choice of joining the two sets of pension rights together. Details will be provided by Capita Hartshead at the time.

What about my other non- LGSS pensions?

If you have paid into another non-LGSS pension arrangement, you may be able to transfer your previous pension rights into the LGSS (provided you are not already drawing them as a pension). You only have 12 months from joining the LGSS to opt to transfer your previous pension rights, unless your employer allows you longer. This is an employer **discretion**; you can ask your employer what their policy is on this matter.

Capita Hartshead can advise you of their process for transferring previous pension rights into the LGSS, though they cannot advise you on making a decision.

Transferring your pension rights is not always an easy decision to make, and you may wish to seek the help of an independent financial adviser.

For more information, see the section on **Transferring Pension Rights into the LGSS**.

What if I've been a member before and can now re- join the LGSS?

If you re-join the LGSS, you can normally transfer your previous LGSS pension rights to your new membership, enabling you to enjoy benefits based upon your entire membership and linked to your final **pay** in your new job.

They will not be transferred automatically. You only have 12 months from re-joining the LGSS to opt to transfer your previous LGSS pension rights, unless your employer allows you longer. This is an employer **discretion**; you can ask your employer what their policy is on this matter.

Transferred membership from the LGSS will normally count on a day for day basis, but transferred membership from the LGPS in England or Wales, Scotland or Northern Ireland may not buy day for day membership.

If your new job is less well paid, you will need to decide whether it may be better not to join the benefits together.

If you wish to transfer your previous LGSS pension rights you should contact Capita Hartshead as soon as possible to find out about this and about the matters you will need to consider in making your decision.

What if I change my mind – can I opt out of the LGSS?

If you join, then decide the LGSS is not for you, you're free to opt out from your next available pay period. You might, however, want to take independent financial advice before opting out.

If you opt out of the LGSS you will generally have the same options as anyone leaving their job before retirement except you cannot draw deferred benefits or, normally, transfer any pre 6 April 1988 benefits to another pension scheme unless you have left your job. You can find details of these options in the section on **Leaving Your Job Before Retirement**.

I'm already receiving an LGSS pension – will it be affected?

If you are re-employed in **local government** or by an employer who offers membership of the LGSS you must tell Capita Hartshead about your new position, regardless of whether you join the scheme in your new position or not. If you are in receipt of an ill health pension which is of the type that is stopped if you are in any gainful employment, your pension may be affected and you must inform the employer who awarded you that pension if you take up any employment (whether in local government or elsewhere). In either case, a check will then be made to see whether the pension you are being paid should be reduced or stopped.

Forms to fill in:

Joining form

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

Death benefit forms

If you die in service, a lump sum death grant of three times your final year's pay is paid no matter how long you have been a member of the LGSS. For part-time employees, it is three times your actual part-time pay (disregarding any reduction in your pay if your hours had been reduced due to your illness).

Douglas Corporation Pensions Committee has absolute **discretion** when deciding on who to pay any death grant to. The LGSS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning an expression of wish form. The form is available from the Douglas Corporation website.

You can nominate a co-habiting partner, of either opposite or same sex, to receive a survivor's pension on your death, providing your relationship meets certain conditions laid down by the LGSS. You can find out about these conditions from the section on **Life Cover – Protection for Your Family**. If this applies to you and you wish to make a nomination, the form (if not included with this booklet) is available from Capita Hartshead or Douglas Corporation website.

More information

For more information or if you have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead.

You can find out about what you can do if you are not happy about a decision made about your LGSS pension position from the section **Help with Pension Problems**.

In this section we look at transferring previous pension rights into the Local Government Superannuation Scheme (LGSS).

Where pension terms are used, they appear in purple type. These terms are defined at the back of this booklet.

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

- a previous LGSS employment, or
- a previous employer's pension scheme, or
- a self-employed pension plan, or
- a 'buy-out' policy, or
- a personal pension plan, or
- a stakeholder pension scheme, or
- an Additional Voluntary Contribution (AVC) arrangement including, in some cases, from an approved overseas pension scheme.

You cannot transfer a pension credit into the LGSS. A pension credit is a share of an ex-spouse's or **ex-civil partner's** pension benefits, as awarded by a Court under a Pension Sharing Order.

If you have previous LGSS pension rights

If you re-join the LGSS, you can normally transfer your previous LGSS pension rights to your new membership, enabling you to enjoy benefits based upon your entire membership and linked to your final **pay** in your new job.

They will not be transferred automatically. You only have 12 months from re-joining the LGSS to opt to transfer your previous LGSS pension rights, unless your employer allows you longer. This is an employer **discretion**; you can ask your employer what their policy is on this matter.

Transferred membership from the LGSS will normally count on a day for day basis, but transferred membership from the LGPS in England or Wales, Scotland or Northern Ireland may not count on a day for day basis.

If your new job is less well paid, you will need to decide whether it may be better not to join the benefits together.

If you wish to transfer your previous LGSS pension rights you should Capita Hartshead as soon as possible to find out about this and about the matters you will need to consider in making your decision.

If you have pension rights in a non – LGSS arrangement

If you have paid into a non-LGSS pension arrangement, you may be able to transfer your previous pension rights into the LGSS.

You have only 12 months from joining the LGSS to opt to transfer your previous pension rights, unless your employer allows you longer. This is an employer **discretion**; you can ask your employer what their policy is on this matter.

If you opt to transfer pension rights from a non-LGSS arrangement then a sum of money called a **transfer value** is offered to buy a membership credit in the LGSS. If you transfer your previous pension rights into the LGSS your retirement benefits will be based on membership including the membership bought by the transfer and, normally, your final years' pay on leaving the LGSS.

Any request you make to investigate a transfer will not be binding until you have been supplied with full details and subsequently confirm that you wish the transfer to go ahead. Transfer quotations provided by a former pension provider are guaranteed for 3 months.

Carefully consider whether to transfer or not, as a transfer may not always be advantageous. Compare the quotation of LGSS membership and the value of LGSS benefits attached to that membership against the value of the package of benefits if left with your previous pension scheme provider. Transfers from UK public sector schemes and some of the public sector schemes on the Island usually give broadly equivalent benefits in the LGSS, provided you apply for the transfer within 12 months of joining the LGSS.

Transferring your pension rights is not always an easy decision to make, and you may wish to seek the help of an independent financial adviser.

Douglas Corporation may decline to accept a transfer from a non-LGSS arrangement (other than from another "club" scheme if you apply for the transfer within 12 months of joining the LGSS).

I have a personal or stakeholder pension plan. Can I continue paying into it?

If you have a personal or stakeholder pension plan you can continue to pay into it at the same time as paying into the LGSS or, alternatively, you can stop paying into it and consider transferring it into the LGSS.

You can, if you wish, pay up to 100% of your total taxable earnings in any one tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme) and be eligible for tax relief on those contributions. Under tax rules there are controls on how much the value of your pension benefits may increase in any one year without you having to pay a tax charge – most people will not be affected by these controls. To find out more, see the section on **Tax Controls and Your LGSS Benefits**.

I have paid Additional Voluntary Contributions (AVCs). Can I transfer them into the LGSS?

If you have paid AVCs to a scheme (other than to the LGSS) or you have paid Free-Standing AVC (FSAVCs) you can, if you wish, transfer them into the LGSS to buy extra LGSS membership. You have only 12 months from joining the LGSS to opt to transfer your previous AVC rights to buy extra LGSS membership, unless your employer allows you longer. This is an employer's **discretion**; you can ask your employer what their policy is on this matter.

If you have paid AVCs to the LGSS, these can be transferred into a new In-house AVC arrangement with Aviva (see the section on **Increasing your benefits** for more details about paying into the LGSS in-house AVC scheme.

How do I transfer?

Capita Hartshead can assist you with the process for transferring previous pension rights into the LGSS.

Remember, you only have 12 months from joining the LGSS to opt to transfer your previous pension rights, unless your employer allows you longer.

I've lost touch with my previous pension provider. Who can help?

You may have lost with your former pension schemes but, if you have, don't worry. The Pension Tracing Service can help – it holds details of Isle of Man and UK pension schemes and provides a tracing service free of charge.

You can contact them at:

The Pension Tracing Service
The Pension Service
Tyneview Park, Whitley Road
Newcastle upon Tyne, NE98 1BA

Telephone 0845 6002 537

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

More information

For more information on the calculation of LGSS benefits and how membership counts, see the section on **Your LGSS Retirement Benefits**.

For more information on transferring or if you have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead.

You can find out about what you can do if you are not happy about a decision made about your LGSS pension position from the section **Help with Pension Problems**.

In this section you can find out about how your membership in the LGSS could be affected and your benefits reduced if you are off work for any reason.

Where pension terms are used, they appear in purple type. These terms are defined at the back of this booklet.

There are many reasons for absence and each has a different effect on your LGSS membership.

What happens if I am on sick leave?

During a period of sick leave your LGSS benefits will continue to build up as if you were working normally and receiving full pay. You will continue to pay basic LGSS contributions on any **pay** you receive while you are off sick. If you are on unpaid sick leave, you will not pay any contributions.

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

During any period of:

- paid maternity or paternity leave
- paid adoption leave, and
- any unpaid maternity or adoption leave during the 26 week Ordinary Maternity leave / Ordinary Adoption leave period

your LGSS benefits will continue to build up as if you were working normally on full pay. You must continue to pay pension contributions on the actual pay, if any, you are receiving.

However, any period of unpaid maternity or adoption leave beyond the 26 week Ordinary Maternity leave / Ordinary Adoption leave period and any period of unpaid paternity leave will not count for pension purposes unless you have a right to return to work, in which case you can choose to pay back pension contributions for the unpaid period to make it count. The cost of paying back is based on the last rate of pay you received.

What happens if I am granted unpaid leave of absence?

If you are granted unpaid leave of absence or leave on reduced **pay** (including parental leave):

For the first 30 days

Full LGSS membership continues to build up during this period, but you must pay the pension contributions that would have been paid had you been at work.

After 30 days

This period will not count as membership unless you pay for it to do so. You can elect to pay contributions for the whole period of your absence, up to a maximum of 3 years, and maintain your full pension benefits.

For the period to count towards your membership, you must pay the contributions that you would have paid if you had been at work.

What happens if I am on jury service?

If you are called for jury service you will continue to have full LGSS membership during jury service, but you must pay pension contributions based upon your normal **pay**.

What happens if I am on strike?

Absence from work for one or more whole days because of strike does not count as membership in the LGSS. You can elect to buy back the membership lost at a rate of 16% of the pay you would have received if you had been at work.

What happens if I am on reserve forces leave?

Full membership of the LGSS continues to build up throughout reserve forces leave of absence and you will continue to pay pension contributions on your reserve forces pay if it equals or exceeds your normal **pay**.

If your reserve service pay is less than your normal pay, you will not have to make contributions and your benefits will not be affected.

How long have I got to decide to pay back contributions?

An election to pay back contributions after maternity, paternity or adoption leave, authorised leave of absence or strike absence must be made to your employer, in writing, within 30 days of your return to work, or within 30 days of leaving if you do not return or such longer period as your employer may allow. This is an employer's **discretion**; you can ask your employer what their policy is on this matter.

What if I am paying extra?

If you have entered into a contract to buy extra pension (additional regular contributions), to count pre 1 April 2012 membership for a surviving **nominated co-habiting partner's** pension, or additional LGSS membership (added years) and you are absent from work due to:

- authorised leave of absence, jury service, strike action, maternity, paternity or adoption leave, you must continue to make the extra pension payments and/or payments to buy additional membership you had contracted to pay as if you were not on leave.
- reserve forces leave, you continue to build up extra pension / membership but you will only have to pay your extra contributions if your reserve forces pay is equal to or exceeds your normal pay.

If you are paying **Additional Voluntary Contributions (AVCs)** and are absent from work due to authorised leave of absence, jury service, strike action, maternity, paternity or adoption leave you can arrange to continue to make your AVC payments throughout your leave. If you are paying AVCs for extra life cover you should arrange to continue with these payments throughout your leave or cover may cease. If you are on Reserve forces leave, your AVC payments will continue unless you choose to discontinue them.

If you have entered into a contract to buy extra pension (additional regular contributions), to count pre 1 April 2012 membership for a surviving **nominated co-habiting partner's** pension, or additional LGSS membership (added years) and you are absent due to sickness you will continue to pay those extra contributions whilst you remain on full pay. You will not be required to pay those extra contributions during a period of sick leave on reduced or no pay. If you are paying **Additional Voluntary Contributions (AVCs)** you will continue to pay the AVCs on any pay received. If you are paying AVCs for life assurance cover you should arrange for these to continue during any period of unpaid sick leave otherwise the life assurance cover may cease.

More information

For more information, or if you have a problem, or question about your LGSS membership or benefits, please contact Capita Hartshead.

You can find out about what you can do if you are not happy about a decision made about your LGSS pension position from the section **Help with Pension Problems**.

In this section we explain how, as a member of the Local Government Superannuation Scheme, you can pay extra to increase your pension benefits.

Where pension terms are used, they appear in purple type. These terms are defined at the back of this booklet.

Most of us look forward to a happy and comfortable retirement and in order to have that little bit extra during your retirement years you may wish to consider paying extra contributions, which are a tax efficient way of topping up your income when you retire.

There are a number of ways you can provide extra benefits, on top of the benefits you are already looking forward to as a member of the LGSS.

You can improve your retirement benefits by paying:

- Additional Regular Contributions (ARCs) to buy extra LGSS pension
- **Additional Voluntary Contributions (AVCs)** arranged through the LGSS (in-house AVCs)
- Free Standing Additional Voluntary Contributions (FSAVCs) to a scheme of your choice
- Contributions into a stakeholder or personal pension plan

You can combine any of these options.

Are there any limits on how much I can pay to increase my pension benefits?

At the present time there is no overall limit on the amount of contributions you can pay (although there is a limit on the extra scheme pension you can buy and on the amount you can pay into the scheme's AVC arrangement). However, tax relief will only be given on contributions up to 100% of your taxable earnings (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme).

As your normal LGSS contributions are currently between 5.5% and 7.5% of your pay this leaves a significant proportion of your taxable earnings that you can invest in ARCs or AVCs.

Can I increase my dependant's benefits?

You can currently pay extra contributions to increase the level of your husband's, wife's, **civil partner's** or **nominated co-habiting partner's** pension and any pension payable to your **eligible children** on your death.

The options explained:

Paying Additional Regular Contributions (ARCs) to buy extra LGSS pension

You can pay more in contributions to buy up to £5,000 of extra annual pension in blocks of £250. The extra annual pension is payable on top of your normal LGSS benefits.

You can buy extra pension for yourself and, if you wish, extra pension for your husband, wife, **civil partner**, **nominated co-habiting partner** and for **eligible children** on your death.

Additional contributions are taken from your pay, just like your basic contributions. Your LGSS and ARC contributions are deducted before your tax is worked out, so, if you pay tax, you receive tax relief automatically through the payroll. You qualify for tax relief (normally at your highest rate) on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

You can start to buy extra pension at any time up to your 64th birthday. You decide how long you want to pay extra contributions for, although it must be for a number of whole years and payments must be completed by age 65.

The cost to you of buying extra pension is calculated in accordance with guidance issued by the Scheme Actuary which can be reviewed by the Scheme Actuary at any time. The extra pension you are buying will increase in line with the cost of living, both before and after you draw your pension.

You can choose to stop paying ARCs at any time by notifying Capita Hartshead and your employer in writing. You will be credited with the extra pension that you have paid for at the time of ceasing payment.

If you leave or retire before completing payments, your contributions will cease and you will be credited with the extra pension that you have paid for at the time of leaving. This will increase the value of your LGSS benefits. However, if you are retired due to permanent ill health and you qualify for the type of ill health pension where your benefits are based on enhanced membership, you will be credited with the entire extra pension that you set out to buy, even if you have not completed full payment for it.

Your extra pension will be paid at the same time as your LGSS benefits.

If you choose to retire early and draw your benefits before age 65, or you are retired on redundancy or business efficiency grounds, the extra pension you have bought will be reduced for early payment.

If you draw your benefits on flexible retirement, you can, if you wish, draw the entire extra pension you have paid for too, although it may be reduced for early payment. If you choose to draw the extra pension on flexible retirement, your ARCs contract will cease (although you will be able to take out a new ARC contract subject to the overall limits).

If you draw your pension after age 65, the amount of your extra pension will be increased to account for late payment.

On retirement, you can choose to exchange some of the extra pension you have bought for a cash lump sum in the same way as your main LGSS pension. For more information on exchanging part of your pension for a lump sum see the section on **Your LGSS Retirement Benefits**.

If you die in service and you opted to pay for dependant's benefits when you took out your original ARC contract, then extra benefits will be payable to your husband, wife, **civil partner, nominated co-habiting partner** and to **eligible children** as if you had completed all payments. If you did not opt to pay for dependant's benefits when you took out your original contract, then no extra benefits will be payable.

If you die after leaving but before retirement and your benefits are held in the LGSS for payment (deferred benefits), then a lump sum of 5 times the extra annual pension you paid for will be payable. If you die on pension when under age 75, a lump sum of 10 times your extra annual pension minus any extra pension already paid to you may be payable. If you opted to pay for dependant's benefits when you took out your original ARC contract, then extra benefits will be payable to your husband, wife, **civil partner**, **nominated co-habiting partner** and to **eligible children**.

For more details and a quotation, contact Capita Hartshead. You may be required to undergo a medical examination at your own expense before being allowed to buy extra pension.

Paying Additional Voluntary Contributions (AVC) arranged through the LGSS (in-house AVCs)

The Isle of Man LGSS has an AVC arrangement in which you can invest money, deducted directly from your pay, through an AVC provider (often an insurance company or building society). If you choose to pay AVCs under the LGSS, the AVCs are invested separately in funds managed by the AVC provider. You have your own personal account that, over time, builds up with your contributions and the returns on your investment, and will be available to you when you retire. You can often choose which investment route you prefer.

You decide how much you can afford to pay. You can pay up to 50% of your pay in any one payment period via PAYE into an in-house AVC in each job where you pay into the LGSS.

AVCs are deducted from your pay, just like your normal contributions. Your LGSS and AVC contributions are deducted before your tax is worked out, so, if you pay tax, you receive tax relief automatically through the payroll. You qualify for tax relief (normally at your highest rate) on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

Deductions start from the next available pay day after your election has been accepted and you may vary or cease payment at any time whilst you are paying into the LGSS.

If you have previously paid AVCs to the LGSS, these can be transferred to the AVC arrangement offered by your new pension fund administrator. If you have paid AVCs to a different scheme, you can transfer these to the LGSS to purchase extra membership but an election to do so must be made within 12 months of joining the LGSS, unless your employer allows you longer. This is an employer's discretion; you can ask your employer what their policy is on this matter.

Here are the different ways you may be able to use your in-house AVC Fund on retirement:

- **Buy an Annuity**

  This is where an insurance company, bank or building society of your choice takes your AVC Fund and pays you a pension in return.

  You can do this at the same time as you draw your LGSS benefits or you may be able to choose to delay payment until any time up to the eve of your 75th birthday.If you work after age 65 you cannot buy an annuity until you stop working and retire, or you reach the eve of your 75th birthday if this is earlier.

  An annuity is paid completely separately from your LGSS benefits.

  The amount of annuity depends on several factors, such as interest rates and your age. You also have some choice over the type of annuity, for example whether you want a flat-rate pension or one that increases each year, and whether you also want to provide for dependants' benefits in the event of your death.

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

- **Buy a Top-up LGSS Pension**

  If you retire with immediate payment of your benefits you may be able to use some or all of your AVC fund to buy a top-up pension from the LGSS. This automatically provides an inflation proofed pension and dependant's benefits and is based on set purchase factors which do not tend to change.

- **Take your AVCs as cash**

  If you draw your AVCs at the same time as your LGSS pension, you may be able to take some or all of your AVCs as a tax-free lump sum. If you retire (other than on flexible retirement) and draw your AVCs later, you can normally only have up to 25% of your AVC fund as a lump sum.

- **Buy extra membership in the LGSS**

  If your election to start paying AVCs was made before 13 November 2001 you may be able in certain circumstances (such as flexible retirement, retirement on ill health grounds, or on ceasing payment of your AVCs before retirement) to convert your AVC fund into extra LGSS membership in order to increase your LGSS benefits. To find out how benefits are calculated on this membership see the section **If You Joined the LGSS Before 1 April 2012**.

If you draw benefits on flexible retirement and your AVC contract started on or after 13 November 2001 you can choose to take your entire AVC fund at the time you draw your flexible retirement benefits, and, if you wish, continue paying AVCs. If your AVC contract started before 13 November 2001 and you draw your pre 1 April 2012 benefits on taking flexible retirement, your AVC contract will cease and you will have to use your entire AVC fund in one of the above ways at the time you draw your flexible retirement benefits. If your AVC contract started before 13 November 2001 and you do not draw your pre 1 April 2012 benefits on taking flexible retirement, you cannot use your AVC fund at the time you draw your flexible retirement benefits.

If you leave before retirement, your contributions will cease when you leave. The value of your AVC fund will continue to be invested until it is paid out. Your AVC plan is similar to your main LGSS benefits: it can be transferred to another pension arrangement, drawn at the same time as your LGSS benefits or you may be able to defer payment until the eve of your 75th birthday at the latest.

Payments into in-house AVCs will stop when you leave or retire.

Paying Free Standing Additional Voluntary Contributions (FSAVCs)

These are similar to in-house AVCs but are not linked to the LGSS in any way. With FSAVCs, you choose a provider, usually an insurance company. You may want to consider their different charges, alternative investments and past performance when you do this.

You choose how much to pay into an FSAVC arrangement. You can pay up to 100% of your taxable earnings, less your normal pension contributions.

Your AVC fund should grow as it is invested and will be available later in your life to convert into an additional pension of your choice. You can often choose which investment route you prefer.

You can take up to 25% of the value of your FSAVC fund as a tax-free lump sum.

You can also pay FSAVCs to provide additional life cover. Your LGSS membership already gives you cover of three times your pay if you die in service, but you can increase this amount via an FSAVC or use the FSAVC to provide additional dependants benefits on your death in service. This may be subject to satisfactory completion of a medical questionnaire.

Contribute to a concurrent personal pension plan or stakeholder pension scheme

You may be able to make your own arrangements to pay into a personal pension plan or stakeholder pension scheme at the same time as paying into the LGSS. With these arrangements, you choose a provider, usually an insurance company. You may want to consider their charges, alternative investments and past performance when you do this.

You choose how much to pay into the arrangement. You can pay up to 100% of your total taxable earnings in any one tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a “tax relief at source” arrangement, such as a personal pension or stakeholder pension scheme) and be eligible for tax relief on those contributions.

If you pay into a personal pension plan or stakeholder pension scheme, the contributions you make to it are invested in funds managed by an insurance company. You have your own personal account that, over time, builds up with your contributions and the returns on your investment, and will be available later in your life to convert into additional benefits. You can often choose which investment route you prefer.

When the benefits are paid, you will be able to take up to 25% of your Fund as a tax-free lump sum, with the remainder available to buy you an annuity from an insurance company, bank or building society.

The amount of annuity depends on several factors, such as interest rates and your age. You also have some choice over the type of annuity, for example whether you want a flat-rate pension or one that increases each year, and whether you also want to provide for dependants’ benefits in the event of your death.

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

I am already buying extra LGSS membership. Can I buy any extra benefits?

To buy extra LGSS years (added years) you must have opted to do so before 1 April 2012. If you’re already paying extra contributions to buy extra years, you’ll continue to pay for them and receive extra benefits on the same basis that you had agreed to buy them. For information on what happens if you are paying for added years on leaving or retirement, see the sections on **Leaving Your Job before Retirement** and **Your LGSS Retirement Benefits**.

Even if you are buying extra years, you can still pay additional contributions to buy extra LGSS pension (ARCs) and / or pay **Additional Voluntary Contributions (AVCs)**, or Free Standing AVCs (FSAVCs), or contribute to a concurrent personal pension plan or stakeholder pension scheme, if you wish.

Can my employer award me any extra pension benefits?

Your employer, at their **discretion**, can award you up to 10 years extra membership to improve your retirement benefits. They can also grant you up to £5,000 extra annual pension.

These are **discretions** your employer can use if they so wish; you can ask your employer what their policy is on this.

Your employer can also pay into your AVC scheme arranged through the LGSS (in-house AVCs). This is known as a shared cost AVC arrangement.

What happens if I pay extra and I am absent from work?

If you have:

- entered into a contract to buy extra pension (ARCs) or,
- prior to 1 April 2012 entered into a contract to buy extra LGSS membership (added years), or
- prior to 1 April 2011, entered into a contract to count pre 1 April 2012 membership for a surviving **nominated co-habiting partner's** pension,

  and you are absent from work due to:

- authorised leave of absence, jury service, strike action, maternity, paternity or adoption leave, you must continue to make the extra pension payments and/or payments to buy additional membership you had contracted to pay as if you were not on leave; or
- reserve forces leave, you continue to build up extra pension / membership but you will only have to pay your extra contributions if your reserve forces pay is equal to or exceeds your normal **pay**.

If you are paying **Additional Voluntary Contributions (AVCs)** and are absent from work due to authorised leave of absence, jury service, strike action, maternity, paternity or adoption leave you can arrange to continue to make your AVC payments throughout your leave.

If you are on Reserve forces leave, your AVC payments will continue unless you choose to discontinue them.

Where necessary, Capita Hartshead will contact you about making the relevant contributions.

If you have entered into a contract to buy extra pension (ARCs), to count pre 1 April 2012 membership for a surviving **nominated co-habiting partner's** pension, or extra LGSS membership (added years) and you are on sick leave you will continue to pay those extra contributions whilst you remain on full pay. You will not be required to pay those extra contributions during a period on reduced or no pay.

If you are paying **Additional Voluntary Contributions (AVCs)** you will continue to pay the AVCs on any **pay** received during sick leave.

If you are paying AVCs for life assurance cover you should arrange for these to continue during any period of unpaid sick leave otherwise the life assurance cover may cease.

Do the tax rules on pension savings limit the extra I can pay?

You can, if you wish, pay up to 100% of your taxable earnings in any tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme) and receive tax relief on the contributions.

The annual allowance is the amount your pension savings can increase by in any one year without paying extra tax. For the LGSS the pension savings year runs from 6 April to 5 April. The annual allowance for 2012/2013 is £300,000.

You would only be subject to an annual allowance tax charge if the value of your pension savings for a tax year increase by more than £300,000.

Most people will not be affected by the annual allowance tax charge because the value of their pension saving will not increase in a tax year by more than £300,000.

You can find out more about tax controls on your pension savings from the section on **Tax Controls and Your LGSS Benefits**.

More information

For more information, or if you have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead.

You can find out about what you can do if you are not happy about a decision made about your LGSS pension position from the section **Help with Pension Problems**.

In this section we look at what happens to your LGSS benefits on leaving your job before retirement if you pay into the LGSS on or after 1 April 2012.

Where pension terms are used, they appear in **purple** type. These terms are defined at the back of this guide.

As long as you have been a member of the LGSS for at least 3 months, or you have transferred other pension rights into the LGSS, or you already have a deferred benefit in the LGSS, you will have built up valuable LGSS benefits that form an important part of your savings for retirement. On leaving before retirement you have two options:

- You can choose to keep your benefits in the LGSS. These are known as deferred benefits and will increase every year in line with the cost of living.
- Alternatively, you may be able to transfer your deferred benefits to a new pension arrangement.

If you have been a member of the LGSS for less than 3 months, have not transferred in any other pension rights and do not already have a deferred benefit in the LGSS, you do not qualify for deferred benefits. You have three options:

- You will normally be able to claim a refund of your contributions, less a deduction for tax and the cost, if any, of buying you back into the **State Second Pension (S2P)**. Interest is paid if the refund is not made within one year of leaving but no refund can be made if you rejoin the scheme within a month and a day of leaving or rejoin before the refund has been paid.
- You may be able to transfer your benefits to a new pension arrangement.
- You can delay your decision until you either re-join the LGSS, join a new pension scheme, or want to take a refund of contributions.

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

Deferred benefits are where we work out the value of your benefits when you leave the LGSS and hold them in the LGSS for you until either you decide to transfer them to another pension scheme, or they are due to be paid.

Your personal deferred benefit package consists of an annual pension, payable throughout your retirement, with an option on retirement to exchange some pension for a one off tax-free lump sum. It also includes life cover and financial protection for your family.

How are deferred benefits worked out?

Deferred benefits are based on your membership and your final pay on leaving.

Your membership normally includes:

- How long you have been a member of the LGSS worked out in years and days, but excluding:
  - membership for which you already receive a LGSS pension or hold an LGSS deferred pension
  - membership from any concurrent job you may have, and
  - any LGSS membership in respect of which you have received a refund or have transferred the pension rights to another scheme.
- Membership purchased by a transfer from another scheme.
- Any extra membership you have bought with additional contributions or by converting in-house **Additional Voluntary Contributions (AVCs)** into membership.
- Any extra membership awarded by your employer.

This could be different to your actual calendar length membership of the LGSS. For example:

If you work part-time, although the calendar length of your membership is used to decide if you are eligible for a benefit, your membership is reduced to its whole-time equivalent length to calculate the amount of your retirement benefits. For example, if you work half-time for 10 years, your benefits would be calculated on 5 years membership.

If your hours have changed during your membership of the scheme, your benefits will be calculated to reflect the changes. If you do not have any contractual hours, your membership for each year in the LGSS will be calculated on average weekly hours worked during each year.

If you have transferred membership from the LGPS in England and Wales, Scotland or Northern Ireland it may not count at its actual calendar length.

Your final pay is usually the pay in respect of your final year of scheme membership on which you paid contributions, or one of the previous 2 years if this is higher, and includes your:

- normal pay
- contractual shift allowance
- bonus / performance related payments
- contractual overtime
- Maternity Pay, Paternity Pay, Adoption Pay, and
- any other taxable benefit specified in your contract as being pensionable.

This may not include all your pay. We don't include non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice or pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

If you are working part-time when you leave the LGSS, or worked part-time at some point during your last year of membership, your final pay is the whole-time pay that you would have received, if you had worked whole-time.

If your pay is reduced in this period because of sickness your final pay will be the pay that you would have received if you had not been off sick.

If you have maternity, paternity or adoption leave in this period for which you paid (or are deemed to have paid) pension contributions, final pay includes the pay you would have received had you not been on maternity, paternity or adoption leave.

If your pay is reduced or increases to your pay are restricted in your last 10 years of continuous employment with your employer because you downgrade or move to a job with less responsibility, or as a result of a job evaluation / equal pay exercise, or because of a change in what is specified as pensionable pay in your contract, or is restricted for some other reason, you may have the option to have your benefits based on the average of any 3 consecutive years' pay in the last 13 years (ending on a 31 March). Such an option must be made to Douglas Corporation no later than one month before leaving. You cannot make use of this option to use earlier years' pay in working out your benefits if the reduction or restriction to your pay was as a result of the loss of a temporary increase in pay, or resulted from a reduction in your grade in order to take retirement benefits on flexible retirement.

If your pay was reduced or restricted for reasons beyond your control before 1 April 2012 and you were issued with a certificate of protection by your employer and you leave the LGSS within 10 years of the reduction or restriction in your pay, then we will work out your final pay as the best year's pay in the last five years prior to leaving, or the best consecutive three year average in the last thirteen years after allowing for inflation.

Your deferred pension is worked out like this:

For membership you build up after 31 March 2012:

Your annual pension is calculated by dividing your total membership by 60 and multiplying this figure by your final pay.

When you draw your deferred benefits you will be given the option to exchange some of your annual pension for a one off tax-free lump sum. You receive £12 lump sum for each £1 of annual pension given up. You can take up to 25% of the capital value of your pension benefits as a lump sum.

Here are examples of how your deferred pension is worked out for membership after 31 March 2012:

If you work full-time

Let's look at someone leaving with 10 years full-time membership in the Scheme and a final year's pay of £18,000.

Their deferred annual pension is:

10 years x 1/60th x £18,000 = **£3,000**

If you work part-time

The same calculation is used, but your membership is scaled down to the whole-time equivalent length based on your contractual hours, and your final pay is scaled up to the whole-time equivalent rate.

Let's look at someone leaving after 10 years working half-time i.e. 18½ hours a week in a job where the full-time hours would be 37 per week and with a part-time final pay of £9,000.

Membership to be used in calculating benefits is reduced like this:

10 years x 18½ ÷ 37 = 5 years

And we would use a whole-time equivalent pay, so their deferred annual pension is:

5 years x 1/60th x £18,000 = £1,500

They will have paid half the contributions and receive half the benefits of an equivalent whole-time person.

If you joined the LGSS before 1 April 2012 your benefits for membership before 1 April 2012 are calculated differently. For LGSS membership you have built up to 31 March 2012 your deferred benefits are an annual pension based on 1/80th of your final pay and an automatic tax-free lump sum of three times your pension. Like the pension, the automatic lump sum is based on your LGSS membership before 1 April 2012 and your final pay. You can also exchange part of your pre April 2012 pension for extra lump sum as described above. For more information and examples, see the section **If You Joined the LGSS before 1 April 2012**.

If your LGSS benefits are subject to a Pension Sharing Order issued by the Court following divorce or dissolution of a **civil partnership**, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or agreement. For more information see the section on **Pensions and Divorce or Dissolution of a Civil Partnership**.

What if I paid extra?

If you have been paying extra contributions your contributions will cease when you leave the LGSS. If you leave with deferred benefits you will benefit from those extra contributions.

If you are buying extra LGSS pension by paying Additional Regular Contributions (ARCs)

You will be credited with the extra pension you have paid for at the time of leaving. This will increase the value of your deferred benefits and any **transfer value** paid to a new pension arrangement.

If you are buying extra years in the LGSS (Added Years)

You will be credited with the extra period of membership that you have paid for at the time of leaving. This will increase the value of your deferred benefits and any **transfer value** paid to a new pension arrangement. The extra benefits will be calculated on the same basis you had agreed to buy them.

If you move to a new employer in the LGSS within 12 months of leaving, you can carry on paying the additional contributions provided you also pay them to cover the period between leaving and starting your new job and you join your pension rights together. Contact Capita Hartshead within 3 months of rejoining to arrange this.

If you pay Additional Voluntary Contributions (AVCs) arranged through the LGSS (in-house AVCs)

The value of your AVC fund will continue to be invested until it is paid out. Your AVC plan is similar to your main LGSS benefits: it can be transferred to another pension arrangement, be drawn at the same time as your LGSS benefits or you may be able to defer payment until the eve of your 75th birthday at the latest.

If you are paying additional contributions to buy extra nominated co-habiting partner's survivor pension

The period of your pre 1 April 2012 membership that you have paid extra for at the time of leaving will be included in the calculation of any survivor's pension payable to a **nominated co-habiting partner** on your death.

When are deferred benefits paid?

Your deferred benefits are normally payable from age 65, although they can be paid earlier, or later. There are two ways they can be paid earlier.

Early payment of deferred benefits at your request

Firstly, you can request early payment of your deferred benefits from age 55, but you must have your former employer's permission for payment before age 60. You can ask your former employer what their policy on this is. You do not need your former employer's consent to draw your benefits at or after age 60.

If you choose to draw your deferred benefits before age 65, your benefits will be reduced to take account of their early payment and the fact that your pension will be paid for longer. How much your deferred benefits are reduced by depends on how early you draw them.

The reduction is calculated in accordance with guidance issued by the Scheme Actuary from time to time. The reduction is based on the length of time (in years and days) that you retire early i.e. calculated as the period between the date your benefits are paid and age 65.

If you were a member of the LGSS on 31 March 2012, some or all of your benefits paid early could be protected from the reduction if you are a protected member. You can find out more about this from the section **If You Joined the LGSS before 1 April 2012**.

Your former employer can agree to waive any reduction on compassionate grounds. You can ask them what their policy on this is.

Early payment of deferred benefits due to permanent ill health

The second method of obtaining early payment of your deferred benefits is on the grounds of permanent ill health. You can apply for payment of your deferred benefits at any age, without reduction if, because of your health, you would be permanently incapable of the job you were working in when you left the LGSS and you have a reduced likelihood of being capable of any gainful employment within 3 years of applying for the benefit or by age 65, whichever is the earlier.

If you do not take early payment of deferred benefits under either of the above two methods the deferred benefits will be paid from age 65 unless you opt to delay payment beyond that age. If you draw your deferred benefits after age 65 they will be paid at an increased rate. Deferred benefits must be paid before age 75. However, if your pension is not in payment at age 60 (women) / 65 (men), the **GMP** element (if any) of your pension must be paid from that date (unless you are still in employment).

Keeping in touch

If you change address, please remember to let Capita Hartshead know so they can keep in touch with you – something that's especially important when you come to draw your deferred benefits!

Your employer can:

- reduce your pension benefits if you cease to be employed as a result of a criminal, negligent or fraudulent act, or omission as a result of which you have incurred some monetary obligation to the employer.
- forfeit your pension rights if the Department of Infrastructure agrees and you have been convicted of a serious offence connected with your employment.

You are not allowed to:

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

How do deferred benefits keep their value?

Your deferred benefits increase every year in line with the cost of living whilst they are deferred. Your pension will continue to receive cost of living increases every year once it is paid to you.

On your benefits being paid on or after age 55, or if your benefits are paid before age 55 because of ill health and you are permanently incapacitated from engaging in any regular full-time employment, your benefits will be increased each year in line with the cost of living. Otherwise, if you draw your benefits before age 55 you will normally have to wait until your 55th birthday for your first cost of living increase, when your pension will be increased to the level it would have been had it been increased each year.

Do the tax rules on savings cover deferred benefits?

There are tax controls on all your pension savings - not including any state retirement pension, state pension credit or any spouse's, **civil partner's**, **nominated co-habiting partner's** or dependant's pension you may be entitled to.

You can find out about tax controls on your pension savings from the section on **Tax Controls and Your LGSS Benefits**.

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

If you leave with deferred benefits after 31 March 2012 and die before receiving them, the following benefits are payable:

A lump sum death grant of 5 times your deferred annual pension. Douglas Corporation pensions committee has absolute **discretion** when deciding who to pay any death grant to. The LGSS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning an expression of wish form. You can complete an expression of wish form or make a new one at any time. The form is available from your employer or can be downloaded from Douglas Corporation website. If any part of the death grant has not been paid within two years, it must be paid to your personal representatives, i.e. to your Estate.

A survivor's pension will be paid to your husband, wife, registered civil partner or, subject to certain qualifying conditions, your nominated co-habiting partner. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

- **For your husband or wife**: the pension payable is equal to 1/160th of your final pay times the membership your deferred pension is based on, unless you marry after leaving, in which case it could be less. If you marry while your pension is deferred:

- o your husband's pension is based on your membership after 5 April 1988, (excluding, unless you were married to your husband at some time whilst you paid into the LGSS, additional membership purchased by you or granted to you by your employer or the scheme)
- o your wife's pension is based on your **contracted-out** membership after 5 April 1978.

- **For your civil partner:** the pension payable is equal to 1/160th of your final pay times the membership your deferred pension is based on.
- **For your nominated co-habiting partner:** the pension payable is equal to 1/160th of your final pay times your membership in the scheme after 1 April 2012, plus any of your membership before 1 April 2012 for which you have paid additional contributions so that it counts towards a **nominated co-habiting partner's** pension.

If your membership in the LGSS includes a **Guaranteed Minimum Pension (GMP)**, your wife's pension for that part of your membership prior to 6 April 1997 must not be less than half your GMP. Your husband or **civil partner's** pension for that part of your membership prior to 6 April 1997 must not be less than half your **GMP** built up after 5 April 1988.

Children's pensions - these are payable to **eligible children** and increase every year in line with the cost of living.

The amount of pension depends on the number of **eligible children** you have:

- **If a survivor's pension is being paid to your husband, wife, civil partner or nominated co-habiting partner,** one child would receive 1/320th of your final pay times the membership your deferred pension is based on, while two or more children would receive 1/160th shared equally between them.
- **If there is no husband's, wife's, civil partner's or nominated co-habiting partner's pension being paid,** one child would receive 1/240th of your final pay times the membership your deferred pension is based on, while two or more children would receive 1/120th shared equally between them.

If you paid additional contributions to buy extra LGSS pension and you opted to pay for dependant's benefits when you took out your original contract, then extra benefits will be payable to your husband, wife, registered **civil partner** or **nominated co-habiting partner** and to **eligible children**.

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

If you are joining another pension arrangement, you may wish to consider transferring your LGSS benefits to it. This may even be to an overseas pension scheme or arrangement that meets conditions laid down by the Assessor of Taxes. You cannot transfer your benefits if you leave less than one year before age 65. An option to transfer must be made before age 64. If you transfer your LGSS benefits and you have paid **Additional Voluntary Contributions (AVCs)** arranged through the LGSS (in-house AVCs), you must also transfer your AVC fund.

Your new pension provider will require a **transfer value** quotation, which, under the provisions introduced by the Pensions Act 1995, Douglas Corporation will guarantee for a period of three months from the date of calculation, known as the 'Guarantee Date'. Your new pension provider can then advise you of the additional benefits the transfer will buy in their scheme. A written option to proceed with the guaranteed **transfer value** must be received within the three month guaranteed period. If you opt to proceed, the normal time limit for payment of the guaranteed **transfer value** will be six months from the 'Guarantee Date'. If payment is not made within this period Capita Hartshead will need to recalculate the value as at the actual date of payment and pay the recalculated value or, if it is greater, the original value plus interest.

Transfer values are calculated in accordance with the terms and conditions of the Local Government Superannuation Scheme Regulations 2012 (as amended) which comply with the requirements of the Pensions Schemes Act 1993.

If you are considering whether to transfer benefits, make sure you have full information about the two pension arrangements; details of what your benefits are worth in the LGSS and details of what your benefits would be worth in the new pension scheme, if transferred. When you compare your options, don't forget that your LGSS benefits are guaranteed cost of living increases. Transfers to public sector schemes usually give benefits that are broadly equivalent to those in the LGSS, provided you apply for the transfer within 12 months of joining your new pension scheme.

Transferring your pension rights is not always an easy decision to make, and you may wish to seek the help of an independent financial adviser before you make a decision to transfer your deferred benefits to a personal pension plan, stakeholder pension scheme, buy-out insurance policy or an employer's money purchase scheme, as you will be bearing all of the investment risk which could significantly affect your future pension benefits.

If a full transfer payment is made, you will not be entitled to any further benefits from the LGSS for yourself, your spouse, **civil partner**, for any co-habiting partner nominated by you, or any benefits for your dependants.

What happens if I change jobs but remain in the LGSS?

If you are changing your job, but still working in Isle of Man **local government** or for another employer who offers you membership of the LGSS, or if you re-join the LGSS before your deferred benefits are paid, you can usually ask for your LGSS pension rights to be transferred to your new job.

They will not be transferred automatically. If you wish to transfer your pension rights you must elect to do so within 12 months of re-joining the LGSS, unless your employer allows you longer. This in an employer **discretion**; you can ask your employer what their policy is on this matter.

If you choose to transfer them, you will have one set of benefits which will be based on your entire period of LGSS membership and your final pay in your new job.

Although transferred membership within the LGSS will normally count on a day for day basis, membership transferred to the LGPS in England and Wales, Scotland or Northern Ireland may count at a different length.

If your new job is less well paid, you will need to decide whether it may be better not to join the benefits together. If you wish to transfer your LGSS pension rights you should contact Capita Hartshead or your new LGSS administrator as soon as possible to find out about this and about the matters you will need to consider in making your decision.

What if I have two or more LGSS jobs?

If you have two or more jobs where you pay into the LGSS at the same time and you leave one (or more) but not all of them, and you are entitled to deferred benefits from the job (or jobs) you have left, you can choose to transfer your deferred benefits to the job you are continuing in. If you are not entitled to deferred benefits from the job (or jobs) you have left, you cannot have a refund of your contributions and you will be able to transfer your benefits to the job you are continuing in. The amount of membership you will be granted in the continuing job will be adjusted to reflect any difference in the whole-time rates of pay between the jobs as follows:

$$\text{Membership in the job you have left} \times \frac{\text{whole-time rate of pay in the job that has ceased}}{\text{whole-time rate of pay in the job that is continuing}}$$

More information

For more information or if you have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead.

You can find out about what you can do if you are not happy about a decision made about your LGSS pension position from the section **Help with Pension Problems**.

The LGSS provides valuable life cover and financial protection for your family.

In this section we look at how these benefits work if you pay into the LGSS on or after 1 April 2012.

Where pension terms are used, they appear in purple type. These terms are defined at the back of this booklet.

What benefits will be paid if I die in service?

If you die in service as a member of the LGSS, the benefits shown below are payable.

A lump sum death grant of three times your final year's pay is paid no matter how long you have been a member of the LGSS, provided you are under age 75 at the date of death. For part-time employees, it is three times your actual part-time pay.

A survivor's pension. An ongoing pension is provided for your husband, wife, registered **civil partner** or, subject to certain qualifying conditions, your **nominated co-habiting partner**. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

- **For your husband, wife or civil partner**: the pension payable is equal to 1/160th of your final pay times the membership you would have built up to age 65.
- **For your nominated co-habiting partner:** the pension payable is calculated in the same way, although only your membership from 2 April 2012 is used in the calculation, plus any of your membership before 1 April 2012 for which you have opted to pay additional contributions so that it counts towards a **nominated co-habiting partner's** pension.

To nominate a co-habiting partner for a survivor's pension your relationship has to meet certain conditions laid down by the LGSS. You can find information on these conditions and how to make a nomination in What are the conditions later in this section.

Children's pensions - these are payable to **eligible children** and increase every year in line with the cost of living.

The amount of pension depends on the number of **eligible children** you have:

- **If a survivor's pension is being paid** to your husband, wife, civil partner or nominated co-habiting partner, one child would receive 1/320th of your final pay times the membership you would have built up to age 65, while two or more children would receive 1/160th shared equally between them.
- **If there is no husband's, wife's, civil partner's or nominated co-habiting partner's pension being paid**, one child would receive 1/240th of your final pay times the membership you would have built up to age 65, while two or more children would receive 1/120th shared equally between them.

In determining survivor's and children's pensions for part-time employees who die in service, the membership you would have built up to age 65 is calculated on the assumption you would have remained part-time through to then.

For part-time employees who die in service and have reduced their contractual hours as a result of a condition or illness that, in the opinion of an independent occupational health physician, subsequently results in their death, then such a reduction in their hours is disregarded both in calculating the pay to be used for the lump sum death grant and in calculating the membership for any survivor pension payable to their wife, husband, civil partner or **nominated co-habiting partner**.

You should also read the section on **Your LGSS Retirement Benefits** to find out how membership counts and how final pay is worked out for the calculation of LGSS benefits.

If you have taken flexible retirement and die in service as a contributing member of the LGSS, death in service benefits will be paid together with benefits in respect of that part of your pension that you are already drawing. You can find information on What benefits will be paid if I die after retiring on pension? later in this section.

If you die in service and you are paying additional contributions to:

- **buy extra LGSS pension** and you opted to pay for dependant's benefits when you took out your original contract, then extra benefits will be payable to your husband, wife, **civil partner or nominated co-habiting partner** and to **eligible children** as if you had completed all payments. If you did not opt to pay for dependant's benefits when you took out your original contract, then no extra benefits will be payable.
- **buy LGSS added years**, you will be credited on your death with the whole extra period of membership that you set out to buy, even if you have not completed full payment for it. This will increase the value of the benefits payable to your husband, wife, **civil partner** or nominated co-habiting partner and to **eligible children**. To buy added years you must have opted to do so before 1 April 2012.
- **buy extra nominated co-habiting partner survivor benefits**, then the whole of your pre 1 April 2012 membership that you were paying additional contributions for will be included in calculating any survivor pension payable to a **nominated co-habiting partner**, even if you have not completed full payment for it.

If you pay **Additional Voluntary Contributions (AVCs)** arranged through the LGSS (in-house AVCs), the value of your AVC fund is payable.

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

If you die after retiring on pension, your benefits will no longer be payable.

Your husband, wife, **civil partner**, co-habiting partner, next-of-kin or person dealing with your Estate must immediately inform Capita Hartshead of your date of death as otherwise an overpayment could occur. The following benefits may then be payable on your death:

A lump sum death grant will be paid if you die and less than 10 years pension has been paid and you are under age 75. The amount payable would be 10 times your annual pension reduced by any pension already paid to you (ignoring any reduction in your pension as a result of re-employment by an employer offering membership of the LGSS).

A survivor's pension. A pension will be paid to your husband, wife, registered **civil partner** or, subject to certain qualifying conditions, your **nominated co-habiting partner**. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

- **For your husband or wife**: the pension payable is equal to 1/160th of your final pay times the membership your pension is based on, unless you marry after retirement in which case it could be less. If you marry after retiring:
  - o your husband's pension is based on your membership after 5 April 1988, (excluding, unless you were married to your husband at some time whilst you paid into the LGSS, additional membership purchased by you or granted to you by your employer or the scheme),
  - o your wife's pension is based on your contracted-out membership after 5 April 1978.
- **For your civil partner**: the pension payable is equal to 1/160th of your final pay times the membership your pension is based on.
- **For your nominated co-habiting partner**: the pension payable is equal to 1/160th of your final pay times your membership in the scheme after 1 April 2012, plus any of your membership before 1 April 2012 for which you have paid additional contributions so that it counts towards a **nominated co-habiting partner's** pension.

To nominate a co-habiting partner for a survivor's pension your relationship has to meet certain conditions laid down by the LGSS. Information on these conditions and how to make a nomination are set out in What are the conditions later in this section.

Children's pensions - these are payable to **eligible children** and increase every year in line with the cost of living.

The amount of pension depends on the number of **eligible children** you have:

- **If a survivor's pension is being paid** to your husband, wife, civil partner or nominated co-habiting partner, one child would receive 1/320th of your final pay times the membership your pension is based on, while two or more children would receive 1/160th shared equally between them.
- **If there is no husband's, wife's, civil partner's or nominated co-habiting partner's pension being paid**, one child would receive 1/240th of your final pay times the membership your pension is based on, while two or more children would receive 1/120th shared equally between them.

If you paid additional contributions to buy extra benefits see the section on **Increasing your Benefits** to find information on any extra survivor benefits that may be payable.

Who is the lump sum death grant paid to?

Douglas Corporation pensions committee has absolute **discretion** over who receives any lump sum death grant; they can pay it to your nominee or personal representatives or to any person who appears, at any time, to have been your relative or dependant. The LGSS, however, allows you to express your wish as to who you would like any death grant to be paid to by completing and returning an expression of wish form. If any part of the death grant has not been paid within two years, it must be paid to your personal representatives, i.e. to your Estate. If you have not already made your wishes known, or you wish to update / change a previous expression of wish, a form is available from your employer or can be downloaded from Douglas Corporation website. Remember to complete a new form if your wishes change.

What are the conditions for a nominated co-habiting partner's survivor's pension?

To be able to nominate a co-habiting partner, of either opposite or same sex, to receive a survivor's pension on your death, all of the following conditions must apply to both you and your **nominated co-habiting partner** and each condition must have applied for a continuous period of at least 2 years on the date you both sign the nomination form:

- both you and your **nominated co-habiting partner** are, and have been, free to marry each other or enter into a **civil partnership** with each other, and
- you and your **nominated co-habiting partner** have been living together as if you were husband and wife, or civil partners, and
- neither you or your **nominated co-habiting partner** have been living with someone else as if you/they were husband and wife or civil partners, and

- either your **nominated co-habiting partner** is, and has been, financially dependent on you or you are and have been financially interdependent on each other.

Your partner is financially dependent on you if you have the highest income. Financially interdependent means that you rely on your joint finances to support your standard of living. It doesn't mean that you need to be contributing equally. For example, if your partner's income is a lot more than yours, he or she may pay the mortgage and most of the bills, and you may pay for the weekly shopping.

You make a nomination by completing a nomination form which is available from your employer or can be downloaded from Douglas Corporation website.

On your death, a survivor's pension would be paid to your **nominated co-habiting partner** if:

- the nomination has effect at the date of your death, and
- your **nominated co-habiting partner** satisfies the above conditions for a continuous period of at least 2 years immediately prior to your death.

And ……

- If your LGSS benefits are subject to a Pension Sharing Order issued by the Court following divorce or dissolution of a **civil partnership**, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or agreement. In consequence, if you remarry, enter into a new **civil partnership** or nominate a co-habiting partner to receive a survivor's pension, any spouse's pension, civil **partner's pension or nominated co-habiting partner's** pension payable following your death will also be reduced. Benefits payable to **eligible children** will not, however, be reduced because of a pension share.
- If your membership in the LGSS includes a **Guaranteed Minimum Pension (GMP)**, your wife's pension for that part of your membership prior to 6 April 1997 must not be less than half your GMP. Your husband or civil partner's pension for that part of your membership prior to 6 April 1997 must not be less than half your GMP built up after 5 April 1988.

More information

For more information or if you have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead.

You can find out about what you can do if you are not happy about a decision made about your LGSS pension position from the section **Help with Pension Problems**.

You can look forward to enjoying a guaranteed package of benefits when you retire.

In this section we look at how your retirement benefits are worked out and when you can retire if you pay into the LGSS on or after 1 April 2012.

Where pension terms are used, they appear in purple type. These terms are defined at the back of this booklet.

Your LGSS benefits are made up of:

- An annual pension that, after leaving, increases every year in line with the cost of living for the rest of your life, and
- The option to exchange part of your pension for a tax-free lump sum paid on retirement.

The two main factors used to calculate your LGSS pension are:

- your membership in the Scheme, and
- your final pay.

If you joined the LGSS on or after 1 April 2012, for each year of membership you receive a pension based on 1/60th of your final pay – so if you have 40 years membership you get 40/60ths or two thirds of your final year's pay as an annual pension.

If you joined the LGSS before 1 April 2012, your benefits for membership before 1 April 2012 are calculated differently. You can find out how from the section **If You Joined the LGSS Before 1 April 2012**.

Membership

The first important element used in working out your pension is your membership. This normally includes:

- How long you have been a member of the LGSS worked out in years and days, but excluding:
  - membership for which you already receive a LGSS pension or hold an LGSS deferred pension
  - membership from any concurrent job you may have, and
  - any LGSS membership in respect of which you have received a refund or have transferred the pension rights to another scheme.
- Membership purchased by a transfer from another scheme.
- Any extra membership you have bought with additional contributions or by converting in-house **Additional Voluntary Contributions (AVCs)** into membership.
- Any extra membership awarded by your employer
- Any extra membership awarded by the scheme if you are retired because of permanent ill health.

This could be different to your actual calendar length membership of the LGSS. For example:

If you work part-time, although the calendar length of your membership is used to decide if you are eligible for a benefit, your membership is reduced to its whole-time equivalent length to calculate the amount of your retirement benefits. For example, if you work half-time for 10 years, your benefits would be calculated on 5 years membership.

If you have transferred membership from the LGSS in England and Wales, Scotland or Northern Ireland, it may not count at its actual calendar length.

Final Pay

The other important element used in working out your benefits is your final pay.

This is usually the pay in respect of the final year of scheme membership on which you paid contributions, or one of the previous 2 years if this is higher, and includes your:

- normal pay
- contractual shift allowance
- bonus / performance related payments
- contractual overtime
- Maternity Pay, Paternity Pay, Adoption Pay, and
- any other taxable benefit specified in your contract as being pensionable.

This may not include all your pay. We don't include non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice or pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

If you are working part-time when you leave the LGSS, or worked part-time at some point during your last year of membership, your final pay is the whole-time pay that you would have received, if you had worked whole-time.

If your pay is reduced in this period because of sickness, your final pay will be the pay that you would have received if you had not been off sick.

If you have maternity, paternity or adoption leave in this period for which you paid (or are deemed to have paid) pension contributions, final pay includes the pay you would have received had you not been on maternity, paternity or adoption leave.

If your pay is reduced or increases to your pay are restricted in your last 10 years of continuous employment with your employer because you downgrade or move to a job with less responsibility, or as a result of a job evaluation / equal pay exercise, or because of a change to what is specified as pensionable pay in your contract, or is restricted for some other reason, you may have the option to have your final pay calculated as the average of any 3 consecutive years' pay in the last 13 years (ending on a 31 March). Such an option must be made to Capita Hartshead no later than one month before leaving. You cannot make use of this option to use earlier years' pay in working out your benefits if the reduction or restriction to your pay was as a result of the loss of a temporary increase in pay, or resulted from a reduction in your grade in order to take retirement benefits on flexible retirement.

If your pay was reduced or restricted for reasons beyond your control before 1 April 2012 and you were issued with a certificate of protection from your employer and you leave the LGSS within 10 years of the reduction or restriction in your pay, then we will work out your final pay as the best year's pay in the last 5 years, or the average of the best consecutive 3 years in the last 13 years after allowing for inflation.

How are my retirement benefits worked out?

For membership you build up after 31 March 2012:

Your annual pension is calculated by dividing your total membership by 60 and multiplying this figure by your final pay.

You can take a tax-free lump sum by giving up some of your annual pension. You can take up to 25% of the capital value of your LGSS benefits as a lump sum. For every £1 of annual pension that you give up you will receive £12 lump sum. In the same way, giving up £100 of your annual pension would give you £1,200 lump sum, and so on.

Here are examples of how your pension and lump sum option are worked out for membership after 31 March 2012:

If you work full-time

Let's look at someone retiring at age 65 with 20 years full-time membership in the scheme and a final year's pay of £18,000.

Their annual pension is:

20 years x 1/60th x £18,000 = £6,000

If they decide to give up £1,500 pension for a cash lump sum, then:

Their reduced annual pension is: £6,000 less £1,500 = £4,500

And they will get a tax free lump sum of: £1,500 x 12 = £18,000

The same calculation is used, but your membership is scaled down to the whole-time equivalent length based on your contractual hours and your final pay is scaled up to the whole-time equivalent rate.

Let's look at someone retiring at age 65 after 20 years working half-time i.e. 18½ hours a week in a job where the full-time hours would be 37 per week and with a part-time final pay of £9,000.

Membership to be used in calculating benefits is reduced like this:

20 years x 18½ ÷ 37 = 10 years

And we would use a whole-time equivalent pay, so their annual pension is:

10 years x 1/60th x £18,000 = £3,000

If they decide to give up £750 pension for a cash lump sum, then:

Their reduced annual pension is: £3,000 less £750 = £2,250

And they will get a tax-free lump sum of: £750 x 12 = £9,000

They will have paid half the contributions and receive half the benefits of an equivalent whole-time person.

If your hours have changed during your membership of the scheme, your benefits will be calculated to reflect the changes. If you do not have any contractual hours, your membership for each year in the LGSS will be calculated on average weekly hours worked during each year.

Your benefits can be reduced or increased, depending upon your reason for retirement – see When you can retire and draw your benefits below. Under tax rules there are controls on how much the value of your pension benefits may increase in any one year without you having to pay a tax charge – most people will not be affected by these controls. – see More about your LGSS retirement benefits below.

If you joined the LGSS before 1 April 2012 your benefits for membership before 1 April 2012 are calculated differently. For LGSS membership you have built up to 31 March 2012 you receive an annual pension based on 1/80th of your final pay and an automatic tax-free lump sum of three times your pension. Like the pension, the automatic lump sum is based on your LGSS membership before 1 April 2012 and your final pay. You can also exchange part of your pre April 2012 pension for extra lump sum as described above. For more information and examples, see the section **If You Joined the LGSS Before 1 April 2012**.

What options do I have on retirement?

You may be able to alter your standard retirement package by:

Taking a lump sum

As mentioned earlier, on retirement you will be able to take part of your benefits as a tax-free lump sum by giving up some of your pension. An option to take a lump sum has to be made in writing before your benefits are paid. So that you have plenty of time to make up your mind and seek financial advice if you wish, it is important you contact Capita Hartshead well in advance of your intended retirement date so they can provide you with more details.

Your pension will be reduced in accordance with any election you make to receive a lump sum. Any subsequent pension for your husband, wife, civil partner, **nominated co-habiting partner** or children will not be affected if you decide to exchange part of your pension for a lump sum.

If you have a GMP, you may not reduce your pension to below the level of your GMP.

Getting a small pension paid as a lump sum

Capita Hartshead may be able to pay a small pension as a one off lump sum less a tax charge. However, the circumstances where this may happen are restrictive, particularly if you have any other pension benefits.

If a small pension is paid as a one off lump sum, all other benefits from the LGSS would have to cease, so Capita Hartshead will have to check that you have no other LGSS benefits before deciding whether your pension can be paid as a one off lump sum.

What if I am paying extra?

If you are buying extra LGSS pension by paying Additional Regular Contributions (ARCs)

You will be credited with the extra pension that you have paid for. This will increase the value of your retirement benefits.

But if you are paying ARCs when you retire and qualify for the type of ill health pension where your benefits are based on enhanced membership, you will be credited with the entire extra pension that you set out to buy, even if you have not completed full payment for it.

If you choose to retire early and draw your benefits before age 65, or you are retired on redundancy or business efficiency grounds, the extra pension you have bought will be reduced for early payment.

If you draw your benefits on flexible retirement, you can, if you wish, draw the entire extra pension you have paid for, although it will be reduced for early payment. If you choose to draw the extra pension on flexible retirement, your ARCs contract will cease (although you will be able to take out a new ARC contract).

You can choose to exchange some of the extra pension you have bought for a cash lump sum in the same way as your main LGSS pension.

If you are buying extra years in the LGSS (Added Years)

You will be credited with the extra years of membership that you have paid for and you will receive extra retirement benefits calculated on the same basis that you agreed to buy them – but see below for the rules on flexible retirement.

If you retire on ill health grounds whilst paying for extra years, you will normally be credited with the whole extra period of membership that you set out to buy, even if you have not completed full payment for it.

If you retire early because of redundancy or business efficiency whilst paying for extra years, you will have the opportunity to pay the remaining contributions due in a lump sum in order to complete your contract provided you retire at least 12 months after making your election to pay extra.

If you draw your pre 1 April 2012 benefits on taking flexible retirement you will be credited with the extra years of membership that you have paid for and this will increase the value of your benefits paid on flexible retirement. If you do not draw your pre 1 April 2012 benefits on taking flexible retirement you will continue to pay for any extra years you are buying and the benefits for these extra years will not be paid until you finally retire.

If your benefits when you draw them are reduced for early payment then your benefits from the added years are reduced in the same way.

If you are paying Additional Voluntary Contributions (AVCs) arranged through the LGSS (in-house AVCs)

Your contributions will cease when you retire (or cease two days before age 75 if you carry on in work beyond that age). However, the rules are slightly different if you take flexible retirement, as explained later.

Here are the different ways you can use your in-house AVC fund:

- **Buy an Annuity**

  This is where an insurance company, bank or building society of your choice takes the value of your AVC fund and pays you a pension in return.

  You can do this at the same time as you draw your LGSS benefits or you may be able to choose to delay payment until any time up to the eve of your 75th birthday. An annuity is paid completely separately to your LGSS benefits.

  The amount of annuity depends on several factors, such as interest rates and your age. You also have some choice over the type of annuity, for example whether you want a flat-rate pension or one that increases each year, and whether you also want to provide for dependant's benefits in the event of your death.

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

- **Buy a Top-up LGSS Pension**

  If you retire with immediate payment of your benefits you may be able to use some or all of your AVC fund to buy a top-up pension from the LGSS. This automatically provides inflation proofed pension and dependants' benefits and is based on set purchase factors which do not tend to change.

- **Buy extra membership in the LGSS**

  If your election to start paying AVCs was made before 13 November 2001 you may be able in certain circumstances (such as flexible retirement, retirement on ill-health grounds, or on ceasing payment of your AVCs before retirement) to convert your AVC fund into extra LGSS membership in order to increase your LGSS benefits. To find out how benefits are calculated on this membership see the section **If You Joined the LGSS Before 1 April 2012**.

- **Take your AVCs as cash**

  If you draw your AVCs at the same time as your LGSS pension, you may be able to take some or all of your AVCs as a tax-free lump sum. If you retire (other than on flexible retirement) and draw your AVCs later, you can normally only have up to 25% of your AVC fund as a lump sum.

Details of these options will be given to you shortly before your retirement.

If you draw benefits on flexible retirement and your AVC contract started on or after 13 November 2001 you can choose to take all of your AVC fund at the time you draw your flexible retirement benefits, and, if you wish, continue paying AVCs. If your AVC contract started before 13 November 2001 and you draw your pre 1 April 2012 benefits on taking flexible retirement, your AVC contract will cease and you will have to use all of your AVC fund in one of the above ways at the time you draw your flexible retirement benefits. If your AVC contract started before 13 November 2001 and you do not draw your pre 1 April 2012 benefits on taking flexible retirement, you cannot use your AVC fund at the time you draw your flexible retirement benefits.

If you are paying additional contributions to buy extra nominated co-habiting partner's survivor benefits

The extra benefit that you have paid for will be included in calculating any survivor pension payable to a **nominated co-habiting partner** on your death.

But if you are still paying these when you retire, only that proportion of the extra benefit you have paid for will count, unless you qualify for the type of ill health pension where your benefits are based on enhanced membership. If so, the whole of the extra benefit you set out to buy will be included in calculating any survivor pension payable to a **nominated co-habiting partner**, even if you have not completed full payment for it.

You can find out about more about the ways you can pay extra contributions to increase your retirement benefits from the section on **Increasing Your benefits**.

More about your LGSS retirement benefits

How does my pension keep its value?

On retiring on or after age 55 your LGSS pension increases in line with the cost of living every year throughout your retirement. As the cost of living increases, so will your pension. If you are retired on ill health grounds, your pension is increased each year regardless of your age.

Guaranteed Minimum Pension (GMP)

If your membership in the LGSS includes a **Guaranteed Minimum Pension (GMP)**, then at age 60 (women) / 65 (men) or at the date of your retirement if later, your LGSS pension for membership prior to 6 April 1997 will be compared with your GMP and increased to the rate of your GMP should this be higher. In most cases, your LGSS pension is higher than your GMP.

If you retire and choose not to draw your pension immediately, the GMP element (if any) of your pension must be paid from age 60 (women) / 65 (men), unless you are still in some employment at that time and consent to postponement of payment of your GMP.

Pension Sharing Order/ Earmarking Order

If your LGSS benefits are subject to a Pension Sharing Order or Earmarking Order issued by the Court following divorce or dissolution of a **civil partnership**, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or agreement. For more information see the section on **Pensions and Divorce or Dissolution of a Civil Partnership**.

How will my pension be paid?

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

What If I get another job after I retire?

If you get a job in local government or with an employer that participates in the LGSS, your pension may be reduced or suspended in accordance with the policy determined by Douglas Corporation pensions committee. If you get a job outside of local government with an employer that does not participate in the LGSS, your LGSS pension will not normally be affected. However, if you are awarded an ill health pension of the type that is stopped if you are in any gainful employment, your pension may be affected if you get a job and you must inform the employer who awarded you that pension if you take up any employment (whether in local government or elsewhere).

And…

Capita Hartshead:

- must pay interest on lump sum benefits that are paid more than one month after they could have been paid.
- must pay interest on pensions that are paid more than a year after they should have been paid.
- can, if you are incapable of managing your affairs, pay your pension to someone else to be used for your benefit.

Your employer can:

- reduce your pension benefits if you cease to be employed as a result of a criminal, negligent or fraudulent act, or omission as a result of which you have incurred some monetary obligation to your employer.
- forfeit your pension rights if the Department of Infrastructure agrees and you have been convicted of a serious offence connected with your employment.

You are not allowed to:

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

Retirement benefits - Your State Retirement Pension

In addition to your LGSS benefits, you may also qualify for a state retirement pension paid by the government from **State pension age**.

The **Basic State Pension** is based on the National Insurance contributions you pay, or which are given as credits, during your working life.

The **Additional State Pension**, also known as the State Earnings Related Pension Scheme (SERPS) or **State Second Pension (S2P)**, is the part of your state pension that depends on your earnings since April 1978. LGSS members are **contracted out** of the Additional State Pension and most pay lower national insurance contributions as a result.

State pension age is currently age 65 for men.

State pension age for women is currently being increased to be equalised with that for men. Women's State pension age will reach 65 by November 2018.

The **State pension age** will then increase to 66 for both men and women from December 2018 to October 2020.

Under current legislation the **State pension age** is due to rise to 67 between 2034 and 2036 and to 68 between 2044 and 2046.

When you can retire and draw your benefits

The scheme's normal pension age is 65. You can retire and receive your LGSS benefits without any reductions from age 65.

You may decide to retire earlier or later.

You may have to retire, perhaps because of redundancy, business efficiency or permanent ill health. Your LGSS benefits, even in these circumstances, can provide you with an immediate retirement pension, which may even be enhanced.

If you voluntarily choose to retire before age 65, or retire on or after age 65, you can defer drawing your benefits but you must draw them before age 75. If you draw your pension after age 65, your benefits will be paid at an increased rate to reflect late payment.

There is one important condition – to be entitled to retirement benefits you must have been a member of the LGSS for at least 3 months, or have brought in a transfer from another pension scheme, or already have a deferred benefit in the LGSS.

There are specific rules relating to each type of retirement, so this section looks at the different ways of retiring, and the implications.

Early Retirement at your request

Early retirement is available but you may need your employer's consent and your benefits may be reduced.

If you are aged 60 to 64

You can retire and receive payment of your benefits at any time from age 60 onwards, and you don't need your employer's consent.

If you are aged 55 to 59

You may be able to retire and receive payment of your benefits immediately but this is only possible with your employer's consent. Your employer will have a policy about how they deal with these applications. You can ask your employer for details of their policy.

Will my pension and lump sum be reduced if I voluntarily retire before 65?

If you choose to retire before age 65 your benefits will be reduced to take account of being paid for longer. Your benefits are initially calculated as detailed under the heading **How are my retirement benefits worked out?** and are then reduced. How much your benefits are reduced by depends on how early you draw them.

If you were a member of the LGSS on 31 March 2012, some or all of your benefits paid early could be protected from the reduction if you are a protected member. You can find out more about this from the section **If You Joined the LGSS Before 1 April 2012**.

The reduction is calculated in accordance with guidance issued by the Scheme Actuary from time to time. The reduction is based on the length of time (in years and days) that you retire early – i.e. the period between the date your benefits are paid to age 65. The earlier you retire, the greater the reduction.

Your employer can agree not to make any reduction on compassionate grounds. You can ask them what their policy on this is.

You can reduce or avoid the reductions by not taking immediate payment of your benefits on retirement i.e. by delaying payment until a later date. If you decide not to draw immediate benefits, the benefits would normally become payable at age 65 but you can defer payment beyond that age, although benefits must be paid by age 75.

Early Retirement through Redundancy or Business Efficiency

What happens if I lose my job through redundancy or business efficiency?

If you are aged 55 or over, your benefits are payable immediately without any early retirement reductions if your employer makes you redundant or you are retired on the grounds of business efficiency.

Your employer may also enhance your benefits at their discretion. Your employer can award you with up to 10 years additional membership to improve your retirement benefits. They can also grant you up to £5,000 extra annual pension. These are discretions your employer can use if they so wish and they will publicise their policy on this for your information.

Ill health Retirement

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

If you have to leave work due to illness you may be able to receive immediate payment of your benefits.

To qualify for ill health benefits, your employer, based on an opinion from an independent occupational health physician appointed by them, must be satisfied that you will be permanently unable to do your own job and that you have a reduced likelihood of being capable of gainful employment before age 65.

Ill health benefits can be paid at any age and are not reduced on account of early payment – in fact, your benefits could be increased to make up for your early retirement.

There are graded levels of benefit based on how likely you are to be capable of gainful employment after you leave.

The different levels of benefit are:

- **If you have no reasonable prospect of being capable of gainful employment before age 65**, ill health benefits are based on the membership you would have had if you had stayed in the scheme until age 65.
- **If you are unlikely to be capable of gainful employment within 3 years of leaving**, but you may be capable of doing so before 65 then ill health benefits are based on your membership built up to leaving plus 25% of your prospective membership from leaving to age 65.
- **If you are likely to be capable of gainful employment within 3 years of leaving, or before age 65 if earlier**, ill health benefits are based on your membership at leaving. Payment of these benefits will be stopped after 3 years, or earlier if you are in gainful employment or become capable of such employment, provided you are not age 65 by then. If the payment is stopped it will become payable again from age 65 but there are provisions to allow it to be paid earlier. Details would be provided at the time.

Gainful employment means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

If you are part-time, any extra membership awarded due to ill health retirement will be reduced to reflect your part-time hours at leaving, disregarding any reduction in your hours due to your illness.

If you are already in receipt of an LGSS ill health pension from a former employment where your benefits are based on enhanced membership, and you are again awarded an ill health pension of the type which provides for enhanced membership, there may be a limit on the overall membership that your total LGSS ill health benefits can be based on. If this applies to you please contact Capita Hartshead for further information.

If you were paying into the LGSS on 31 March 2012, and were aged 45 or over on that date and have been in continuous membership of the LGSS, then if you qualify for the type of ill health pension where your benefits are based on enhanced membership there is protection to ensure your ill health retirement benefits are no less than they would have been under the scheme as it applied before 1 April 2012. This protection would not apply if you have previously drawn benefits on taking flexible retirement.

Retiring after age 65

What if I carry on working after age 65?

If you choose to carry on working after age 65 you will continue to pay into the LGSS, building up further benefits. You can receive your pension when you retire although your

pension has to be paid by your 75th birthday. Also, if you retire at or after age 65 you can, if you wish, defer drawing your pension but you must draw it by age 75.

Because you will have already passed age 65 when you retire, there are no early retirement reductions to your benefits, no matter how little membership you have. In fact, if you draw your pension after age 65 your benefits will be paid at an increased rate.

Flexible Retirement

Can I have a gradual move into retirement?

Rather than continuing in your job to 65 or beyond you may wish to consider the possibility of flexible retirement. From age 55, if you reduce your hours or move to a less senior position, and provided your employer agrees, you can draw some or all of the pension benefits you have built up, helping you ease into retirement. Your employer will have a policy on flexible retirement. You can ask your employer for details of their policy.

If your employer agrees to flexible retirement you can still draw your wages / salary from your job on the reduced hours or grade and continue paying into the LGSS, building up further benefits in the scheme.

Your election to receive benefits has to be made to Capita Hartshead

Do I have to draw all my pension benefits if I take flexible retirement?

If you take flexible retirement you can, subject to your employer's policy, elect to draw all or none of the benefits that relate to any pre 1 April 2012 membership you may have and elect to draw all, none or some of the benefits that relate to your membership from 1 April 2012.

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

If you take flexible retirement before age 65 your benefits, initially calculated as detailed under the heading How are my retirement benefits worked out? will be reduced for early payment.

If you were a member of the LGSS on 31 March 2012, some or all of your benefits paid early on flexible retirement could be protected from the reduction if you are a protected member. You can find out more about this from the section **If You Joined the LGSS Before 1 April 2012**.

Your employer may, however, determine not to apply all or part of any reduction. You can ask them what their policy on this is.

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

If you take flexible retirement after age 65 your benefits, initially calculated as detailed under the heading How are my retirement benefits worked out? will be increased to reflect late payment.

More information

For more information or if you have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead.

In this section, we look at what happens to your LGSS benefits if you get divorced or your civil partnership is dissolved.

Where pension terms are used, they appear in **purple** type. These terms are defined at the back of this booklet.

You may wish to get legal advice from your solicitor on how to deal with your LGSS benefits during any divorce or dissolution of a **civil partnership** and you and your partner will need to consider how to treat your pension rights as part of any divorce/dissolution settlement.

What happens to my benefits if I get divorced or my civil partnership is dissolved?

- Your ex-wife, ex-husband or ex-civil partner will cease to be entitled to a widow's, widower's or civil partner's pension should you die before them.
- Any children's pension paid to an eligible child in the event of your death will not be affected by your divorce or dissolution.
- If you have said that you would like your ex-wife, ex-husband or ex-civil partner to receive any lump sum death grant payable on your death by completing and returning an expression of wish form, this will remain in place unless you change it. If your wishes change contact Capita Hartshead for a new form or download one from Douglas Corporation website. The Court may, however, issue an Earmarking Order stating that all or part of any lump sum death grant is payable to your ex-spouse or ex-civil partner.

What is the process to be followed?

You will need specific information about your LGSS benefits as part of the proceedings for a divorce, judicial separation or nullity of marriage, or for dissolution, separation or nullity of a **civil partnership**. You or your solicitor should contact Capita Hartshead for this information, including an estimate of the **cash equivalent value (CEV)** of your pension rights. The Court will take this value into account in your settlement. In Scotland, only the pension rights built up during your marriage / **civil partnership** are taken into account.

You usually get one free CEV estimate each year. Any other costs for supplying information or complying with a Court Order will be recovered from you and/ or your ex-spouse or ex-civil partner in accordance with a schedule of charges available from Capita Hartshead.

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

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

Offsetting pension rights

You can offset the value of your pension rights against the value of other financial assets in your divorce/ dissolution settlement. For example, you could keep your pension, and your ex-spouse or ex-civil partner could get a larger share of the value of the house.

Pension Sharing Order

If the Court issues a Pension Sharing Order, or your benefits are subject to a qualifying agreement in Scotland, part of your benefits are transferred into your ex-spouse's or ex-civil partner's possession. They will keep that share even if your or their circumstances change.

Your ex-spouse or ex-civil partner will hold those benefits in his / her own right. They can be left in the scheme and are normally paid from age 65, or can be drawn on or after age 60 and before age 65 with a reduction for early payment, or can be transferred to another qualifying pension scheme.

Your pension and any lump sum will be reduced by the amount allocated to your ex-spouse or ex-civil partner at the point of divorce/dissolution.

The reduction to your benefits is known as a Pension Debit. The amount of the Pension Debit will be increased in line with the rise in the cost of living between the date it was first calculated and the date your benefits are paid. When your benefits are paid, the revalued amount of the Pension Debit will be deducted from your retirement benefits.

You may be able top up your benefits by buying extra scheme pension, paying **Additional Voluntary Contributions (AVCs)** or Free Standing AVCs (FSAVCs), or by paying into a concurrent personal pension plan or stakeholder pension scheme in order to make up for the benefits 'lost' following a Pension Share. You can find information on paying extra to increase your benefits from the section on **Increasing Your benefits**.

You can still transfer your remaining benefits to another pension arrangement on leaving the LGSS. If you transfer within the LGSS, your new fund will reduce your benefits by the Pension Debit at retirement.

Earmarking Order

If the Court makes an Earmarking Order, your LGSS benefits still belong to you, but some are earmarked for your ex-spouse or ex-civil partner. The earmarked benefits will be paid to your ex-spouse or ex-civil partner when your benefits are paid, reducing the amount paid to you.

The Order can require that your ex-spouse or ex-civil partner receive one or a combination of the following:

- all or part of your LGSS pension (this doesn't apply to divorces / dissolutions in Scotland)
- all or part of any lump sum payable to you, and
- all or part of any lump sum payable on your death.

When earmarked benefits become payable, Capita Hartshead will contact your ex-spouse or ex-civil partner to check that the Earmarking Order is still valid and arrange payment of the earmarked benefits.

You can transfer your benefits to another pension arrangement on leaving the LGSS, as long as your new pension provider can accept the earmarking order.

Earmarking has limitations and is not widely used. As the pension rights remain with you, your ex-spouse or ex-civil partner must wait for you to retire or die to receive the earmarked benefits. If your former spouse or civil partner remarries or enters into a new **civil partnership** an Earmarking Order against pension payments, but not lump sums (unless the Order directs otherwise), would cease and the full pension would be restored to you. Pension payments to your former spouse or civil partner would cease on your death, although any earmarked lump sum death grant would then become payable to your ex-spouse or ex-civil partner.

What if I remarry or enter into a new civil partnership?

If your LGSS benefits are subject to a Pension Sharing Order and you remarry, enter into a new **civil partnership** or nominate a co-habiting partner to receive a survivor's pension, any spouse's pension, civil partner's pension or **nominated co-habiting partner's** pension payable following your death will also be reduced.

If you remarry or enter into a new **civil partnership** and then divorce or dissolve your **civil partnership** again, your remaining pension rights can be subject to further division, although a Pension Sharing Order cannot be issued if an Earmarking Order has already been issued against your LGSS pension rights. Similarly, an Earmarking Order cannot be issued if your pension benefits are already subject to a Pension Sharing Order in respect of the marriage / **civil partnership**.

More information

For more information or if you have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead.

You can find out about what you can do if you are not happy about a decision made about your LGSS pension position from the section **Help with Pension Problems**.

In this section we look at the tax rules that govern pension savings.

Where pension terms are used, they appear in purple type. These terms are defined at the back of this booklet.

You can, if you wish, pay up to 100% of your taxable earnings in any tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme) and be eligible for tax relief on the contributions.

Are there any limits on how much I can pay in contributions?

At the present time there is no overall limit on the amount of contributions you can pay, although there is a limit of £5,000 on the extra LGSS pension you can buy in aggregate and the amount you can pay to the scheme's **Additional Voluntary Contribution (AVC)** arrangement is limited to 50% of your pay. Although there is no overall limit on the amount of contributions you can pay to all schemes, tax relief will only be given on contributions up to a total of 100% of your taxable earnings.

What are the tax controls on my pension savings?

Annual allowance

This is the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge. For the LGSS, the pension savings year runs from 6 April to 5 April and is called the pension input period.

The annual allowance for 2012/2013 is £300,000.

Generally speaking, the assessment covers any pension benefits you may have in all tax-registered pension arrangements where you have been an active member of the scheme during the tax year i.e. you have paid contributions during the tax year (or your employer has paid contributions on your behalf).

You would only be subject to an annual allowance tax charge if the value of your pension savings for a tax year increase by more than £300,000.

Most people will not be affected by the annual allowance tax charge because the value of their pension saving will not increase in a tax year by more than £300,000.

More information

For more information or if you have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead.

You can find out about what you can do if you are not happy about a decision made about your LGSS pension position from the section **Help with Pension Problems**.

In this section we look at what you can do if you are not happy about a decision made about your LGSS pension position.

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

If you are in any doubt about your LGSS benefit entitlements, or have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead who will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.

If your query is about your contribution rate, please contact your employer's personnel/HR or payroll section so they can explain how they have decided which contribution band you are in.

If you are still dissatisfied with any decision made in relation to the scheme you have the right to have your complaint reviewed under the scheme's Internal Disputes Resolution Procedure. There are also a number of other regulatory bodies that may be able to assist you.

Here are the various ways you can ask for help with a pension problem.

- **Internal Disputes Resolution Procedure**

  In the first instance you should write to the person nominated by the body who made the decision about which you wish to appeal. You must do this within six months of the date of the notification of the decision or the act or omission about which you are complaining (or such longer period as the nominated person considers reasonable). This is a formal review of the initial decision or act or omission and is an opportunity for the matter to be reconsidered. The nominated person will consider your complaint and notify you of his or her decision.

  If you are dissatisfied with that person's decision, (or their failure to make a decision) you may apply to Douglas Corporation to have it reconsidered.

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

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

  11 Belgrave Road
  London
  SW1V 1RB

  Telephone 0845 601 2923

- **Pensions Ombudsman**

  In cases where a complaint or dispute has not been satisfactorily resolved through the Internal Disputes Resolution Procedure or with the help of TPAS, an application can be made to the Pensions Ombudsman within three years of the event that gave rise to the complaint or dispute. The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to the appropriate Court on a point of law). Matters where legal proceedings have already started cannot be investigated by the Pensions Ombudsman. The Pensions Ombudsman can be contacted at:

  11 Belgrave Road
  London
  SW1V 1RB

  Telephone 0207 630 2200

- **Insurance and Pensions Authority (IPA)**

  The IPA's task is to ensure that occupational pension schemes operate within the law. Their role is to investigate and take action where there is carelessness, negligence or dishonesty that could damage the security of occupational pension schemes. IPA can be contacted at

  Isle of Man Government
  Insurance and Pensions Authority
  4th Floor, HSBC House
  Ridgeway Street
  Douglas
  IM1 1ER

  Telephone 646000

How can I trace my pension rights?

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

The Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA

Telephone 0845 6002 537

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

More information

For more information or if you have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead.

You should also read the **Your LGSS Retirement Benefit**s section to find out more information about your LGSS retirement benefits.

How benefits are worked out

If you joined the LGSS before 1 April 2012, benefits based on your membership to 31 March 2012 will be calculated differently to those based on your membership from 1 April 2012.

For membership built up to 31 March 2012, you receive a pension of 1/80th of your final pay plus an automatic tax-free lump sum of 3 times your pension.

For membership from 1 April 2012, your pension will be at the increased rate of 1/60th of your final pay. There will be no automatic lump sum for membership built up after March 2012, but you do have the option to exchange some of your pension for extra tax-free lump sum.

Here is an example of how benefits are worked out if you have membership up to and after 31 March 2012.

Let's look at someone who has 8 years membership up to 31 March 2012 and 24 years membership after then when they retire at age 65. Their final year's pay on retirement is £20,000.

Benefits based on their 8 years membership up to 31 March 2012

Their annual pension is:

8/80ths x £20,000 = £2,000

Plus an automatic tax-free lump sum:

3 x 8/80ths x £20,000 = £6,000

Benefits based on their 24 years membership from 1 April 2012

Their annual pension is:

24/60ths x £20,000 = £8,000

To give total benefits of:

An annual pension

£2,000 plus £8,000 = £10,000

Plus a tax-free lump sum = £6,000

But remember, it's possible to exchange some of your pension for extra tax-free lump sum. You can take up to 25% of the capital value of your LGSS benefits as a lump sum. For every £1 of annual pension that you give up you will receive an extra £12 lump sum.

To summarise, any pension built up before April 2012 is calculated at the 1/80th rate with a lump sum of 3 times pension. Only pension built up from 1 April 2012 is calculated at the better 1/60th rate and there is an option to take extra lump sum in exchange for some pension.

You should read the **Your LGSS Retirement Benefits section** to find more information on how membership and final pay is worked out in calculating your LGSS benefits.

You should note that:

If you are awarded extra membership by your employer and the date your employer resolved to award this was before 1 April 2012, those years will attract a pension at the 1/80th rate plus an automatic tax-free lump sum of 3 times the pension.

If you have an AVC fund arranged through the LGSS (in-house AVC) and you convert it into extra LGSS membership, the extra membership will attract a pension only, calculated at the 1/60th rate. You are only allowed to convert your AVC fund into LGSS membership in limited circumstances and only if your election to start paying AVCs had been made before 13 November 2001.

If you are buying extra membership in the LGSS (added years), any extra benefits will be calculated on the same basis you had agreed to buy them.

If you are a married man with membership before 1 April 1972, that membership will be converted to 89% of its length unless you elected to pay extra contributions to convert it to its full length.

If you are a high earner and you joined the scheme after 31 May 1989 and before 6 April 2006 you could only pay contributions and have your benefits based on your pay up to the Earnings Cap – this was £105,600 for 2005/6. The Earnings Cap was removed from 6 April 2006 and, if it affected you, your relevant membership prior to then will be reduced.

Early payment - reductions to benefits

If you choose to retire before age 65 or your employer allows you to draw your benefits on flexible retirement before age 65 your benefits may be reduced to take account of being paid for longer. How much your benefits are reduced by depends on how early you draw them.

The reduction is based on the length of time (in years and days) that you retire early – i.e. the period between the date your benefits are paid to age 65. The earlier you retire, the greater the reduction.

The reduction is calculated in accordance with guidance issued by the Scheme Actuary from time to time.

If your benefits are paid before age 55, with your employer's consent, the percentages shown above will differ.

Your employer can agree not to make any reduction on compassionate grounds. You can ask them what their policy on this is.

If you were a member of the LGSS on 31 March 2012, some or all of your benefits paid early could be protected from the reduction under what is called the 85 year rule.

The 85 year rule is satisfied if your age at the date you draw your benefits and your scheme membership (each in whole years) add up to 85 or more.

If you are part-time, your membership counts towards the rule of 85 at its full calendar length.

Not all membership may count towards working out whether you meet the 85 year rule.

Working out how you are affected by the 85 year rule can be quite complex, but this should help you work out your general position.

- **If you would not satisfy the 85 year rule by the time you are 65**, then all your benefits are reduced if you choose to retire before 65. The reduction will be based on how many years before 65 you draw your benefits.
- **If you will be age 60 or over by 31 March 2022** and choose to retire before age 65, then, **provided you satisfy the 85 year rule when you start to draw your pension**, the benefits you build up to 31 March 2022 will not be reduced.
- **If you will be under age 60 by 31 March 2022** and choose to retire before 65, then, **provided you satisfy the 85 year rule when you start to draw your pension**, the benefits you've built up to 31 March 2012 will not be reduced.

If you take flexible retirement, any 85 year rule protection will apply to the benefits you've built up to the date of flexible retirement but will not apply to benefits you build up after the date of flexible retirement.

Please note that the rules on deciding whether you have protection under the 85 year rule from a reduction to your benefits if you choose to draw them before 65, and the level of that protection, are quite complex. If you are thinking of voluntarily retiring or asking for flexible retirement before age 65, you should contact Capita Hartshead for a quotation of the benefits payable.

Your employer can agree not to make any reduction on compassionate grounds. You can ask them what their policy on this is.

More information

For more information on the LGSS or if you have a problem or question about your LGSS membership or benefits, please contact Capita Hartshead.

You can find out about what you can do if you are not happy about a decision made about your LGSS pension position from the section **Help with Pension Problems**.

Where pension terms are used, they appear in purple type.

Additional Voluntary Contributions (AVCs)

These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover.

The IoMLGSS has an AVC arrangement in which you can invest money through an AVC provider, often an insurance company or building society. AVCs are deducted directly from your pay and attract tax relief.

Admission Body

An admission body is an employer that chooses to participate in the scheme under an admission agreement. These tend to be employers such as charities.

Cash Equivalent Value (CEV)

This is the cash value of your pension rights for the purposes of divorce or dissolution of a civil partnership.

Civil Partnership

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

Contracted out

The LGSS was contracted out of the State Earning Related Pension Scheme (SERPS) and is contracted out of the State Second Pension (S2P). This means that, prior to State pension age, you pay reduced National Insurance contributions between the Lower Earnings Limit and the Upper Accruals Point (unless you have opted to pay the married woman's/widow's reduced rate of National Insurance). The LGSS guarantees to pay you a Guaranteed Minimum Pension (GMP) for being contracted out of the State Earning Related Pension Scheme (SERPS) and, for membership after 5 April 1997, the LGSS must meet a minimum Reference Scheme test prescribed under the Pensions Act 1995.

Designating Body

Designating bodies are bodies which can designate employees for access to the scheme. Employees of local authorities for a Parish District, a Joint Board which participates in the LGSS can be designated for membership of the scheme.

Discretion

This is the power given by the LGSS to enable your employer or administering authority to choose how they will apply the scheme in respect of certain provisions. Under the LGSS your employer or your administering authority are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review. You may ask your employer or your administering authority what their policy is in relation to a discretion. Your administering authority is Douglas Corporation.

Eligible children

Eligible children are your children. They must, at the date of your death:

- be under 18 and be wholly or mainly dependent on you, or
- be aged 18 or over and under 23, be dependent on you, and be in full-time education or undertaking vocational training (although a dependant child who commences full-time education or vocational training after the date of your death may be treated as an eligible child up to age 23), or
- in some cases, a dependant child of any age who is disabled may be classed as an eligible child.

In all cases, the children must have been born before or within a year of your death.

Guaranteed Minimum Pension (GMP)

The LGSS guarantees to pay you a pension that is at least as high as you would have earned had you not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the Guaranteed Minimum Pension (GMP).

Lower Earnings Limit

This is the amount of pay that you can receive before you pay any National Insurance contributions.

Nominated co-habiting partner

A co-habiting partner is someone you are living with as if you are married or in a civil partnership. To be able to nominate a co-habiting partner, of either opposite or same sex, to receive a survivor's pension on your death, your relationship has to meet certain conditions laid down by the LGSS. Information on these conditions, and how to make a nomination, are set out in the section on **Life Cover – Protection for Your Family**.

Pay

The pay on which you normally pay pension contributions is your normal salary or wages plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

SERPS (State Earnings Related Pension Scheme)

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGSS members were automatically contracted out of SERPS, and most paid lower national insurance contributions as a result. SERPS was replaced by the State Second Pension (S2P) from 6 April 2002.

State pension age

This is the earliest age you can receive the state basic pension. State pension age is currently age 65 for men. State pension age for women is currently being increased to be equalised with that for men. The Government has announced that it will speed up the pace of State pension age equalisation for women, so that women's State pension age will reach 65 by November 2018.

The State pension age will then increase to 66 for both men and women from December 2018 to October 2020.

Under current legislation the State pension age is due to rise to 67 between 2034 and 2036 and to 68 between 2044 and 2046.

State Second Pension (S2P)

The State Second Pension (formerly SERPS) is the additional state pension, payable from State pension age by the Department for Social Care. Initially, S2P was an earnings-related pension but from April 2009 it began building up as a flat rate pension, achieving full flat rate accrual by around 2030.

LGSS members are contracted out of S2P and most pay lower national insurance contributions as a result. More information on the State Second Pension (S2P) is available from the Department for Social Care.

Transfer value

A transfer value is a cash sum representing the value of your pension rights.

Upper Accruals Point

This is the amount of pay beyond which you cease to pay the, lower, contracted-out rate of National Insurance contributions.