

Highlights of the Isle of Man Local Government Superannuation Scheme (LGSS)

The LGSS gives you:

Secure benefits –

the scheme provides you with a future income, independent of share prices and stock market fluctuations.

At a low cost to you –

with tax-efficient savings, subject to limits set by the Assessor of Taxes.

And your employer pays in too –

the scheme is provided by your employer who meets the balance of the cost of providing your benefits in the LGSS.

You can look forward to your retirement from the LGSS with:

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 cohabiting 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.

The scheme

This guide is a short description of the conditions of membership and main scheme benefits that apply if you pay into the LGSS on or after 1 April 2012.

What kind of scheme is it?

The LGSS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1984. The benefits under the LGSS are based on the length of your membership and your final year's pay. It is very secure because the benefits are set out in law.

Who can join?

The LGSS covers employees in Local Government. To be able to join the LGSS, you need to have a contract of employment that's for at least 3 months and be under age 75; if you are employed by a joint board or local authority for a parish district, you can only join if your employer nominates you for membership of the scheme. Police officers, operational firefighters and teachers are not allowed to join.

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

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

Can I opt-out of the LGSS and re-join at a later date?

You can leave the LGSS at any time by giving your employer notice in writing, although you will only be entitled to a refund of contributions if you leave the scheme within 3 months of joining. If you opt-out, you can opt back into the scheme provided at that time you have a contract of employment that's for at least three months and you are under age 75. You may wish to obtain independent financial advice before you make a decision to opt-out of the LGSS.

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. If you work part-time, your rate will be based on the whole-time pay rate for your job, although you will only pay contributions on the **pay** you actually earn.

Do I get tax relief?

As a member of the LGSS, your contributions will attract tax relief at the time they are deducted from your **pay**. There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increase in any one year by more than the annual allowance of £300,000 you may have to pay a tax charge. Most people will not be affected by the annual allowance.

Does my employer contribute?

Your employer pays the balance of the cost of providing your benefits in the LGSS. Every three years an independent review is undertaken to calculate how much your employer should contribute to the scheme. 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.

Can I pay more to increase my benefits?

You can pay extra to increase your retirement benefits. You can do this either by paying **Additional Regular Contributions (ARCs)** to buy extra pension or by making payments to the scheme's **Additional Voluntary Contributions (AVCs)** arrangement. Capita can provide information on these

options. Contact details are at the end of this guide.

You are also able to make payments to a personal pension or stakeholder pension or free-standing AVC scheme of your own choice.

You may wish to take independent financial advice before you make a decision about paying extra.

Can I transfer pension benefits into the LGSS?

Generally speaking, benefits that you have previously built up in the LGSS or in other approved or statutory pension arrangements can be transferred into the LGSS. An option to transfer must be made within twelve months of joining or such longer period as your employer allows.

What if 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 you membership of the LGSS you must tell the LGSS Administering Authority, Douglas Borough Council, about your new position, regardless of whether you join the scheme in your new position or not. If you are in receipt of a LGSS 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 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.

Retirement

To be entitled to LGSS retirement benefits you have to have at least three months membership, or have transferred other pension rights into the LGSS, or already have a deferred benefit in the LGSS.

When can I retire?

You can retire and receive your LGSS benefits in full once you have reached age 65. The scheme also makes provision for the early payment of your LGSS benefits.

What are my LGSS retirement benefits?

When you retire, you will receive a pension and have the option to take part of your pension as a tax-free lump sum. If you joined the LGSS before 1 April 2012, your standard benefit package will include an automatic tax-free lump sum as described in '*The Benefits*' section.

Can I retire before age 65?

You can elect to retire and receive your LGSS benefits from age 60 onwards. You may be able to voluntarily retire and receive your LGSS benefits from age 55 but only if your employer agrees. Employer's consent to draw benefits before age 60 is an employer discretion. Your employer must set out their policy on this in a published statement.

Are there any penalties for retiring before 65 and drawing immediate benefits?

If you voluntarily retire before age 65 your LGSS benefits, initially calculated as set out in '*The benefits*' section below, will be reduced to take account of their early payment and the fact that your pension will be payable for longer. However, if you joined the LGSS before 1 April 2012 and would have at least 21 years scheme membership if you stayed in the scheme to age 65 you will:

- a) have some protection from the reduction in respect of benefits you build up in the scheme up to 31 March 2022 if you will be 60 by then;
- b) in any other case, have some protection from the reduction in respect of any benefits you've built up in the scheme up to 31 March 2012.

If you retire before age 75, 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.

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

If you are aged 55 or over you will be entitled to the immediate unreduced payment of your LGSS benefits.

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

If you have to leave work at any age due to permanent ill health, which has been certified by an independent registered medical practitioner appointed by your employer, the scheme provides a tiered ill health retirement package. This could give you benefits, paid straight away, and which could be increased if you are unlikely to be capable of gainful employment within 3 years of leaving.

What if I want to have a gradual move into retirement?

This is known as 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. If you take flexible retirement before age 65 your benefits may be reduced to take account of their early payment unless your employer agrees to waive the reduction in whole or in part. You can continue paying into the LGSS on your reduced hours or in your new role, building up further benefits in the scheme. Flexible retirement is at the discretion of your employer and they must set out their policy on this in a published statement.

What if I carry on working after age 65?

If you carry on working after age 65 you will continue to pay into the scheme, building up further benefits. We will pay your pension when you retire, or when you reach the eve of your 75th birthday, or if you take flexible retirement with your employer's consent, whichever occurs first. If you draw your pension after age 65 it will be paid at an increased rate to reflect the fact that it will be paid for a shorter time. Your pension has to be paid by your 75th birthday.

The Benefits

How much will my pension be?

Your pension is based on the length of your membership in the scheme and your final year's pay. If you are part-time, your scheme membership will count at its part-time length when working out your pension and your final year's pay is increased to what you would have received had you been full-time. For membership you build up after 31 March 2012 you receive an annual pension based on 1/60th of your final year's pay. **The examples below** show how benefits based on membership in the LGSS built up after 31 March 2012 are calculated.

What pay is used to calculate retirement benefits?

Your retirement benefits will be calculated on your final year's pay. That is, the **pay** due in respect of your final year. If you are part-time, your final year's pay is increased to what you would have received had you been full-time. However, your benefits can be calculated on one of the two previous years' pay if better. Also, if your **pay** is reduced, or increases to your **pay** are restricted, in your last 10 years of continuous employment with your employer, 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), provided you opt to do so by writing to the pension fund 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.

Can I exchange part of my pension for a lump sum?

You can exchange part of your annual pension for a one off tax-free cash payment. You will receive £12 lump sum for each £1 of pension given up. You can take up to 25% of the capital value of your pension benefits as a lump sum. Details of the maximum tax-free cash payment you can take will be given to you shortly before your retirement. It is at that time you need to make a decision.

Example of pension and lump sum option calculation for membership after 31 March 2012.

Full-time employee

On retirement at age 65, a scheme member has 20 years total membership and has final year's pay of £15,000.

Their **annual pension** is:
 $20 \text{ years} \times 1/60 \times £15,000 = \mathbf{£5,000}$

If they decide to give up £1,000 pension for a cash lump sum, then their **reduced annual pension** is:
 $£5,000 \text{ less } £1,000 = \mathbf{£4,000}$

And they will get a **tax-free lump sum** of:
 $£1,000 \times 12 = \mathbf{£12,000}$

Part-time employee

If the same employee had worked half-time (i.e. 20 years at half-time = 10)

Their **annual pension** would be:
 $10 \text{ years} \times 1/60 \times £15,000 = \mathbf{£2,500}$

If they decide to give up £500 pension for a cash lump sum, then their **reduced annual pension** is:
 $£2,500 \text{ less } £500 = \mathbf{£2,000}$

And they would get a **tax-free lump sum** of:
 $£500 \times 12 = \mathbf{£6,000}$

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 $1/80^{\text{th}}$ of your final year's 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 year's pay. You can also exchange part of your pre April 2012 pension for extra lump sum as described earlier.

Taking AVCs as cash

If you pay **Additional Voluntary Contributions (AVCs)** via the LGSS you may elect to take up to 100% of the accumulated fund in your AVC account as a tax-free lump sum if you draw it at the same time as your LGSS pension benefits **provided**, when added to the LGSS lump sum, it does not exceed 25% of the overall value of your LGSS benefits (including your AVC fund). Details of this option will be given to you shortly before your retirement.

Will my pension increase?

The LGSS provides statutory pension increases. This means that on retiring on or after age 55 your pension will be increased each year in line with the cost of living. Ill health pensions are normally increased each year in line with the cost of living regardless of age.

Protection for your family

What benefits will be paid if I die?

- **If you die in service as a member of the LGSS** the following benefits are payable:
 - A lump sum death grant of 3 years pay. If you are part-time, it's 3 years part-time pay.
 - Pensions for **eligible children**.
 - A widow's, widower's, civil partner's or, subject to certain qualifying conditions, a nominated cohabiting partner's pension.

If you are part-time and die in service and you have reduced your hours as a result of a condition or illness that, in the opinion of an independent registered medical practitioner, subsequently results in your death, then such a reduction in your 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 your wife, husband, civil partner or nominated cohabiting partner.

- **If you die after retiring on pension**, the following benefits are payable:
 - A lump sum death grant is payable if less than 10 years pension has been paid and you are under age 75 at the date of death.
 - Pensions for **eligible children**.
 - A widow's, widower's, civil partner's or, subject to certain qualifying conditions, a nominated cohabiting partner's pension.

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.

A cohabiting partner is someone you are living with as if you are married or in a civil partnership. To nominate a cohabiting partner for a survivor's pension your relationship has to meet certain conditions laid down by the LGSS.

The LGSS allows you to say who you would like any death grant to be paid to by completing an expression of wish form. Douglas Borough Council, as the scheme administering authority, however, retains absolute discretion when deciding on who to pay any death grant to.

Leavers without an immediate entitlement to benefits

Refunds of Contributions

If you leave or opt out of the scheme without being entitled to a benefit, you will normally be able to take a refund of your contributions, less a charge for tax. If you were an active member of the scheme before 6 April 2019, we may also have to deduct the cost of buying you back into the State Second Pension scheme (S2P).

Deferred benefits

If you leave before age 65 with an entitlement to a benefit, you will be entitled to deferred benefits within the LGSS. Your deferred LGSS benefits will be calculated as described in '*The Benefits*' section using the length of your membership up to the date that you left the scheme. During the period your pension benefits are deferred they will be increased each year in line with the cost of living.

Unless you decide to transfer your deferred benefits to another pension scheme, they will normally be paid at age 65, but:

- they may be put into payment earlier, and in full if, because of ill health, you are permanently incapable of doing 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; or
- you can, if you wish, elect to receive your deferred benefits early from age 60 onwards; or
- if your former employer agrees, you can elect to receive your deferred benefits from age 55; or
- you can, if you wish, elect not to draw your deferred benefits at age 65 and defer drawing them till some time later (although they must be paid by age 75).

Benefits paid early, other than on the grounds of permanent ill health, may be reduced to take account of their early payment and the fact that your pension will be paid for longer. Conversely, benefits paid after age 65 will be increased.

If you leave with deferred benefits and you die before they come into payment, the following benefits are payable:

- A lump sum death grant equal to 5 years' pension
- Pensions for **eligible children**
- A widow's, widower's, civil partner's or, subject to certain qualifying conditions, a nominated cohabiting partner's pension

The LGSS allows you to say who you would like any death grant to be paid to by completing an expression of wish form. The Douglas Borough Council, as the scheme administering authority, however, retains absolute discretion when deciding on who to pay any death grant to.

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) jobs, 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.
- you are not entitled to deferred benefits from the job (or jobs) you have left, you cannot have a refund of your contributions and we will automatically transfer your benefits to the job you are continuing in.

In both cases, 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.

Transferring your benefits

If you leave the scheme and you are entitled to deferred benefits or a refund you can generally transfer the cash equivalent of your pension benefits into another approved or statutory scheme. An option to transfer must be made before age 64 or, if later, within 6 months of leaving. The method of valuing the cash equivalent of your pension rights complies with the requirements of the Pension Schemes Act 1993 and any value quoted is guaranteed for three months.

Alternatively, if you return to employment with an employer participating in the LGSS, then you may elect for the pension rights that you have built up to be added to your new period of membership in the scheme. Such an election must be made within twelve months of re-joining the scheme or such longer period as your new employer allows.

Keep in touch – remember to let Capita know if you move house.

Help with pension problems

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

If you have a problem or question about your LGSS membership or benefits, please contact Capita. They 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 HR or payroll section so they can explain how they have calculated your contribution rate.

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 Internal Disputes Resolution Procedure (IDRP) and, as the scheme is well regulated, there are also a number of other regulatory bodies that may be able to assist you.

- **Pensions Ombudsman**

In cases where a complaint or dispute has not been satisfactorily resolved through the IDRP, 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 IOM.PensionsOmbudsman@pensions.im

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

The Insurance and Pensions Authority is the regulator of all Isle of Man pension schemes and regulates the Isle of Man's pension legislation concerning both international and domestic retirement benefit schemes as well as providing relevant guidance on legislation and regulatory requirements. IPA can be contacted at:

Isle of Man Government
Insurance and Pensions Authority
Finch Hill House
Bucks Road
Douglas
Isle of Man IM99 1DT Telephone 01624 646000

- **How can I trace my pension rights?**

The Pension Tracing Service holds details of UK pension schemes and a small number of Isle of Man pension schemes together with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their dependants) who have lost touch with previous schemes. If you need to use this tracing service please write to:

The Pension Tracing Service
Unit 6 - 7 Glebe House
Boothen Old Road
Staffordshire ST4 4EZ Telephone 0800 1223 179

Complaint Procedure

A complaint received by Capita will be treated in the following manner: -

- A complaint may be made to Capita using all forms of media (e.g. letter, telephone call or e-mail).
Contact details:-

CAPITA
11b Lingfield Point
Darlington
DL1 1AX

Telephone Number: (01624) 672730 local rate call from Isle of Man

E-mail: iomeng@capita.co.uk

- Upon receipt Capita will log the complaint and make every effort to ensure that a full response is issued immediately. A copy of the complaint will be supplied to the Director of Finance at Douglas together with the name of the person at CAPITA dealing with it.
- An acknowledgement is sent within 24 hours of receipt. Where further investigation is required to make a full response, the acknowledgement will indicate the approximate response period (no longer than 10 working days unless in exceptional circumstances).
- Where appropriate, further investigation is undertaken and a full response is made, usually no longer than 10 working days following receipt of the complaint unless in exceptional circumstances. A copy of the response will be supplied to the Director of Finance at Douglas.
- All complaints are reported to the Pensions Committee of Douglas Borough Council in respect of the Isle of Man Local Government Superannuation Scheme on a quarterly basis.

If you are not happy with how your complaint has been handled please see the Internal Disputes Resolution Procedure (IDRP) below.

Internal Disputes Resolution Procedure (IDRP)

Overview

Under the LGSS 2012, the IDRP procedure is a two stage procedure which is followed by the option to refer the dispute to the Pensions Ombudsman who will make a binding decision and may issue fines in cases of maladministration.

When any decision is made regarding a member's pension, either by the employer or by the Administering Authority, notification must be given to the member. The notification must include details of the IDRP and specify the name and address of the 'specified person' who will review the decision. The specified person should not be the person who made the decision in the first instance.

Stage 1

Normally, the member would be requested to try to reach agreement with the decision maker before entering into the IDRP. However, if a dispute is received by the specified person, he must review the decision with regard to the LGSS regulations and make a decision to allow the original decision to stand or overturn the decision. Strict timescales are prescribed.

Stage 2

If the specified person upholds the original decision, the member may refer the decision to the Administering Authority who again would review and make a further decision to uphold or overturn the original decision.

Final Decision

If still unhappy the member could refer the decision to the pension's ombudsman for a binding decision. The Ombudsman will not look at a case which has not been through the full IDRP.

Actions Taken

1. The Douglas Borough Council appointed person for Stage 1 is the Director of Finance.
2. The appointed person for Stage 2 is Capital's Technical Consultancy Team.

Actions Required

For employers other than Douglas Borough Council please contact the Clerk of the authority for their Stage 1 appointed person.

Letters notifying members of a decision made regarding their pension must be updated to include the relevant statement.

Some terms we use

Additional Regular Contributions (ARCs)

These are extra payments to buy up to £5,000 of extra annual LGSS pension in blocks of £250.

Additional Voluntary Contributions (AVCs)

These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover. The LGSS AVC provider is Aviva. AVCs are deducted directly from your pay and attract tax relief.

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.

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.

State pension age

This is the earliest age you can receive the basic state pension. State pension age is increasing to 66 for both men and women from December 2018 to October 2020.

More information on State Pensions can be obtained from:

The Department of Social Care
Social Security Division
Markwell House
Market Street
Douglas
IM1 2RZ

Telephone 01624 685656

Further information and disclaimer

This guide is for employees in the Isle of Man LGSS 2012 and reflects the current provisions of the LGSS at the time of publication in June 2019. Changes to the scheme may be made by the Government in the future after consultation with interested parties.

This guide cannot cover every personal circumstance and does not cover rights that apply to employees whose pension contributions are in excess of the annual allowance (£50,000 in 2018/19), those to whom protected rights apply, or those whose rights are subject to a pension sharing order following divorce or dissolution of a civil partnership. In the event of any dispute over your pension benefits the appropriate legislation will prevail. This short guide does not confer any contractual or statutory rights and is provided for information purposes only.

More detailed information about the scheme is available from:

Capita
Isle of Man Local Government Superannuation Team
11b Lingfield Point
Darlington
DL1 1AX

E-mail: iomenq@capita.co.uk

Telephone 01624 672730