



IMPORTANT UPDATES TO YOUR BROCHURE FOR 2012 / 2013

Contribution rates

Councillor member contribution rates for 2012 / 2013 are as follows:

Full time equivalent (FTE) pensionable pay as at 31 March 2012	Rate on that tranche
On earnings up to and including £19,400	5.5%
On earnings above £19,400 and up to £23,700	7.25%
On earnings above £23,700 and up to £32,500	8.5%
On earnings above £32,500 and up to £43,300	9.5%
On earnings above £43,300	12%

Annual allowance

Being a member of the Local Government Pension Scheme (LGPS) will count towards the new annual allowance restrictions on pension tax relief that came in from 2011 / 2012. We have developed an LGPS tax valuer on our website at www.spfo.org.uk to help members assess their tax position.

State pension age

There are a number of proposed changes to the state pension age, see http://www.direct.gov.uk/en/NI1/Newsroom/SpendingReview/DG_192159

Dated 27 03 12



Introducing the Scottish Local Government Pension Scheme (LGPS)





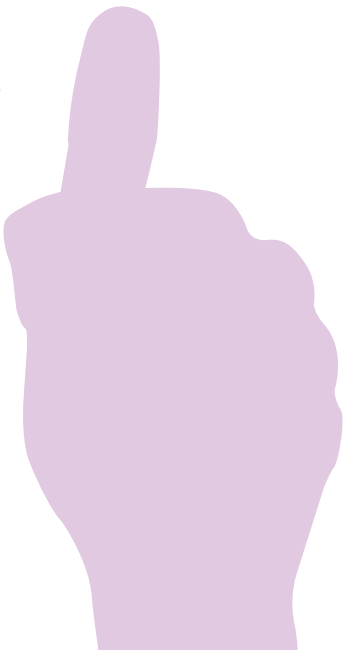
What are the key benefits of being a member of the LGPS?

The LGPS is one of the best pension schemes going. It delivers:

- A pension based on your final pensionable pay.
- A pension that increases each year in line with price inflation.
- The flexibility to exchange some of your pension to provide a tax-free lump sum.
- A permanent ill health pension paid from any age for those with two years service who are unable to work in their present job.
- Lump sum death in service protection of three times your final pensionable pay.
- A pension payable to your surviving spouse, surviving registered civil partner or surviving nominated cohabiting partner on your death in service or on your death after retirement.

The LGPS has long been a valuable part of the pay and reward package for employees working in local government or working for other employers participating in the scheme. Employers pay most of the cost of the LGPS.

If you choose not to be a member of the LGPS, you will lose out on your employer's pension contribution.



Is the LGPS a safe pension scheme?

The LGPS is very secure because the benefits are set out in law and guaranteed by the government.

Who can join the LGPS?

To be able to join the LGPS you need to be employed by a participating employer and have a contract of employment for 3 months or more and be under age 75.

You can leave the LGPS at any time by giving your employer notice in writing. If you opt out, you can opt back in.

If you join the LGPS you remain entitled to the basic state old age pension. You should be aware though that you will be contracted out of the earnings related addition to the basic old age pension, the State Second Pension scheme (S2P).

How much does it cost to join the LGPS?

To enjoy benefits of the quality provided by the LGPS, you are required to contribute. Your gross contribution rate depends on your pensionable pay.

An example:

Tom's full time equivalent rate of pensionable pay in the previous financial year was £31,000. Tom's contribution for this year is calculated as:

5.50%	x	£18,000	=	£990
7.25%	x	£4,000	=	£290
8.50%	x	£8,000	=	£680
9.50%	x	£1,000	=	£95
		<hr/>		<hr/>
		£31,000		£2,055

Tom's average gross contribution rate would be 6.63% = 2,055 / 31,000.

After taking account of tax and national insurance breaks, Tom's gross contribution rate of 6.63% would be reduced to a net contribution of 3.99% using 2008/9's tax/national insurance rates and bands.

Your gross contribution to the LGPS for a scheme year (1 April to 31 March) will depend on your annual full time equivalent rate of pensionable pay on the day before the scheme year starts, that is on 31 March. For scheme year 2009/2010 there are five different percentage rates for five tranches of pensionable pay:

Pensionable pay tranche	Contribution rate (%)
Up to and including £18,000	5.50
Above £18,000 and up to £22,000	7.25
Above £22,000 and up to £30,000	8.50
Above £30,000 and up to £40,000	9.50
Above £40,000	12.00

Your gross contribution rate is your contribution rate before tax and national insurance relief. By contributing you will pay less tax and national insurance.

If you work part time, your contribution rate will be based on the whole time pensionable pay rate for your job. However, you will only pay contributions on the pensionable pay you actually earn.

In future the pensionable pay tranches applied to each contribution rate will be increased in line with price inflation.

From 2012 you may be affected by the proposed introduction of a 'cost sharing' arrangement. This is still subject to consultation by the LGPS' major stakeholders. It is likely to mean employees share any future increases in the cost of providing the LGPS with contributing employers.

To help you to calculate your gross contribution rate, we have a contribution calculator on our website at www.spfo.org.uk.



How are LGPS pensions calculated?

To work out your annual pension for life at retirement from the LGPS take your membership (in years and days) from 1 April 2009 and multiply it by 1/60th of your final pensionable pay.

An example:

After 30 years and 0 days membership Brian retires on his 65th birthday with a final pensionable pay of £30,000.

This will provide him with an annual pension for life of £15,000.

Or he could take a maximum tax free cash sum of £64,285 and a reduced annual pension of £9,642.

If you are part time, your membership will count at a proportion of full time service and your final pensionable pay will be based on the full time equivalent for your post.

There is a benefit calculator on our website that shows you the standard benefits and the maximum tax free cash that can be taken at retirement.

An important point about any retirement is that it is necessary to provide the Strathclyde Pension Fund Office with a signed “exchanging pension for cash” form before retirement. This will tell us how much tax free cash you want at retirement.



Can I increase my benefits?

In the LGPS you have the option to pay additional regular contributions, ARCs, to buy additional LGPS pension for yourself and your dependants in multiples of £250 up to a maximum of £5,000 per year.

To help you to understand the cost of ARCs we have an ARC contribution calculator on our website.

You also have the following additional options for increasing your benefits:

- Making “in house” additional voluntary contributions (AVCs) i.e. using the arrangement we have with the Prudential.
- Contributing to a free-standing AVC, personal pension or stakeholder pension, that is by arranging something yourself.

Can I transfer existing pensions into the LGPS?

Only benefits that you have previously accrued in public sector pension schemes can be converted into additional membership in the LGPS.

When can I receive benefits from the LGPS?

The LGPS has a minimum age for taking pension benefits of 55.

Your employer’s consent will be required, if you want to take pension benefits before age 60.

You can retire and receive your LGPS benefits in full once you have reached age 65.

If you take pension benefits before age 65, your pension will be reduced for early payment. Reductions are calculated according to guidance issued by the Government Actuary. Your employer may, however, determine not to apply all or part of any reduction at their discretion.

To be entitled to retirement benefits you have to have at least two years membership of the LGPS or to have transferred other pension rights into the LGPS.

Does the LGPS offer flexible retirement?

Subject to your employer's policy, the LGPS offers flexible retirement options from age 55.

Provided that you reduce your hours or move to a position on a lower grade, you may be able to draw some or all of the benefits you have already built up. This will help you to ease into retirement whilst still drawing your wages/salary from your job on the reduced hours or grade. Your employer's consent is needed to do this before age 60.

You will be able to continue paying into the LGPS until age 75 to build up further benefits, if you reduce your hours or move to another position. Your employer's consent will be required if you want to carry on working after 65.

If you voluntarily retire before age 65, you do not have to receive immediate payment of your benefits. You can defer them up to age 75. If they are deferred after age 65, they will be increased to reflect the fact that your pension will be paid later and for a shorter time.

What happens if I change jobs?

If you remain in employment that allows you to be a member of the LGPS, you can stay in the LGPS.

If you have over two years LGPS membership and leave employment you will be entitled to benefits within the LGPS at retirement. Your deferred LGPS benefits will be re-valued in line with price inflation until you retire and then when in retirement.

If you leave to a non-participating employer with less than two years total membership, you may take a refund of your contributions, less any deductions for tax and the cost of buying you back into the State Second Pension scheme (S2P).

If you change jobs, you may wish to investigate a transfer of your benefits to another pension scheme.

What happens if I am made redundant?

If you are 55 you can take your benefits unreduced. Your employer may, in line with their published policy, also grant you compensatory added years on redundancy.



What if I become too ill to work?

Provided you have two years membership or have transferred benefits into the LGPS, the LGPS protects you against permanent ill health by providing pensions based on your prospective service to 65.

In the LGPS ill health benefits are tiered according to ability to carry out **any** gainful employment before age 65.

In cases of permanent ill health, there is no minimum age limit for receiving retirement benefits and no reduction for early payment.

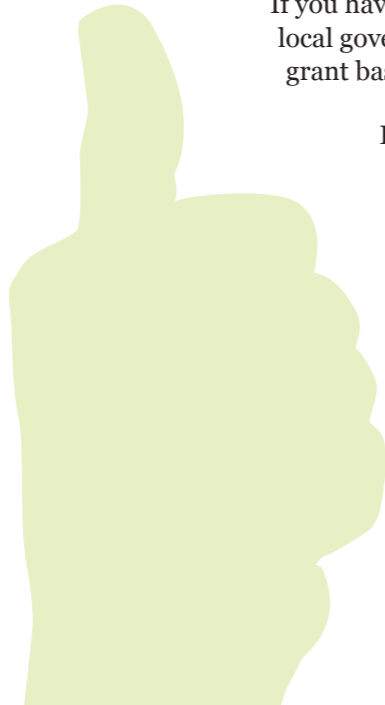
If you have a life expectancy of less than a year, five years worth of your ill health pension can be converted into an immediate tax free lump sum.

A deferred LGPS pension can also be paid immediately without being reduced for early payment on the request of the member if the member meets the qualifying criteria and this is backed up by the appropriate medical evidence.

Are my loved ones looked after financially if I die?

If you die in service, the death grant payable to your nominated beneficiaries in the LGPS will be three times final pensionable pay. For part timers actual final pensionable pay in part time employment is used and not the whole time equivalent value.

Survivors' pensions in the LGPS can be paid to a spouse or registered civil partner or a nominated cohabiting partner of either the opposite or the same sex. To nominate a cohabiting partner you need to fill in the appropriate form and to meet the qualifying conditions.



Survivors' pensions will be at a rate of 1/160th. This means that survivors' pensions will not be adversely affected by you exchanging pension for tax-free cash at retirement.

Children's pensions up to a total of 1/160th of pensionable pay for each year of total actual and prospective membership are also provided.

If you have deferred benefits in the LGPS having left local government employment, a lump sum death grant based on 5 x annual pension is payable.

If you die prior to age 75 after taking retirement benefits from the LGPS, a lump sum death grant based on 10 x pension less pension already paid is payable.



Want more information?

To contact the Strathclyde Pension Fund Office about your pension, you can:

Visit: www.spfo.org.uk

Email: spfo@glasgow.gov.uk

Telephone: 0845 213 0202

Write to or Visit:

Strathclyde Pension Fund Office,
2nd Floor, Charlotte House,
78 Queen Street,
Glasgow G1 3DN



Please note that this Scheme Summary is based on our understanding of legislation at 1 April 2009 and is only an introduction to the LGPS that was introduced on 1 April 2009. Prior to this the LGPS provided benefits on a different basis. This Scheme Summary does not override the underlying regulations that govern the LGPS. These can be found at www.sppa.gov.uk/local_gov/circulars.htm

If you are dissatisfied with any decision made in relation to the LGPS, you have the right to have your complaint independently reviewed under the Internal Disputes Resolution Procedure.

Strathclyde Pension Fund Office

Managing the Local Government Pension Scheme in the west of Scotland.

Ref: Scheme Summary 0509 with 2012 sticker