

Hello and welcome to this quick update from GMPF – your staff pension scheme.

You may remember, we sent you a Pension Power newsletter a few months ago, telling you about some far reaching changes to our scheme.

Since then, the Government department which writes the scheme rules – the DCLG – has made some further amendments, so we've brought you this bulletin to keep you up to date.

So read on to find out more, and as always, you are very welcome to call our friendly helpline if there's anything we can help you with.

 **0161 301 7000**

pension power bulletin

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Third ill health tier now in place
but it's hardly the icing on the cake!

Last time in Pension Power we introduced you to the new rules on ill health. At the time, we knew of two "tiers" of ill health benefit, with the strong possibility of a third to follow. We now have details about this 3rd tier, and rather more meat on the bones with tier 2. So here's a recap of what we told you last time, with the recent amendments added in.

The scheme offers protection to members who become too ill to work, in the form of an ill health retirement package. Members who meet certain conditions can retire early on the grounds of ill health, and draw some pension benefits, no matter what their age.

The ground rules

Here are some of the basic rules which apply to all tiers of the ill health package:

1. You need to have at least three months' membership (or to have transferred in any amount of membership from another scheme).
2. Your employer must be satisfied you are both permanently too ill to do your own job and have a reduced likelihood of obtaining any "gainful employment".

If you satisfy these conditions, then you will be entitled to benefits under one of the three tiers, depending on when your employer thinks you will be able to obtain other work.

For a little more about the 2 existing tiers, plus the new tier 3 have a look at the details opposite

Implications for part timers

If you retire under tiers 1 or 2, then as we told you last time, the extra membership is reduced accordingly if you are part time when you retire. The recent amendments add a new rule which says we won't reduce the enhancements, if the approved doctor agrees that you only went part time because of your illness.

Deferred retiring on ill health

If you have left the Scheme but your benefits are being held by us to be paid at a later date and you become too ill to do your old job you can ask your old employer to pay your deferred benefits. They can only do this if it is decided you are not capable of gainful employment within 3 years (or age 65 if sooner).

Also see the note over the page, about a change to the rules covering what happens if you die with deferred benefits...

TIER 1

No prospect of gainful employment either in short term, or before age 65.

Benefits based on current membership plus all membership to age 65.
This is exactly the same as we explained last time.

TIER 2

No prospect of gainful employment within 3 years, but prospect of gainful employment before age 65.

Benefits based on current membership plus 25% of membership to age 65.

There is a crucial change here: if your employer thinks there is a prospect of gainful employment within **3 years**, then you will not fall into tier 2. So at best you would fall into tier 3.

TIER 3

Prospect of gainful employment within 3 years.

Benefits based on current membership, without enhancement, paid for temporary period only.

This is a brand new tier. If this applies to you, you get your lump sum to keep, but your pension paid for a temporary period only, which will work like this:

- The pension will stop if you obtain gainful employment (you must tell your former employer if you do).
- There will be an 18 month review, at which point your former employer and an independent doctor will check your current gainful employment position and capability for gainful employment, which may result in your pension being stopped.
- After your tier 3 pension has been in payment for three years we must stop paying it.
- If at some later date, you become a member of the scheme again, you cannot draw a further set of tier 3 benefits if you become ill again. And the membership on which your tier 3 benefits were based must remain totally separate from your new membership.
- Your employer can recategorise you as **Tier 2** at any time which would increase your benefits (if any) from the date of the decision.

Last chance saloon for 'old rules'

If you fall into tiers 1 or 2 under the new ill health rules, in some cases, we can use the old rules to work how much extra membership you will get – of course only if this gives a better result. This protection only applies if you were 45 or over and were already a member of the Scheme on 1 April 2008 when the new rules came in.

And if your employer decides to retire you on ill health before 1 October 2008, we will check which set of rules, old or new, will give you the best benefits and pay those. For example, if you only qualify for tier 3 benefits under the new rules (in other words a temporary pension with no enhancements) you would be better off with a permanent pension, with enhancements, under the old rules.

What is *final pay*?

Remember this is a final salary scheme, which means that when you retire, we will work out your benefits by using your membership together with your final pay. "So what exactly is final pay" you might be wondering. Normally it means the pay over the 12 months up to the date you retire. But if you find your pay has been higher in either of the two years before that, you can ask us to use this earlier pay figure instead – and we'll add inflation proofing to the benefits too.

Top up info on topping up

Last time we looked at the new topping up option of buying extra pension. But we also know that many of you have been buying extra years since way back when, and of course you are free to carry on with this arrangement. But what happens if you leave the Scheme before completing all the payments? Well normally you simply get the proportion of the extra membership you have bought by then.

A recent change means that if you leave, but then rejoin the Scheme within 12 months, you can choose to carry on buying the extra membership, as long as you link your old membership with your new membership, and pay extra to cover the 'gap'.



Band aid

As we told you last time, there is now a range of contribution rates, based on different pay bands.

The Government intends to increase the bands in line with prices each April, so ordinary pay rises each year shouldn't mean you changing bands. These bands will be rounded down to the nearest £100 so for example if Band 1 (up to £12,000) was increased next April by 2.6% it would become £12,312, which would then be rounded down to £12,300.

April 2008 pay bands:

	Band	Rate
1	Up to £12,000	5.5%
2	£12,001 to £14,000	5.8%
3	£14,001 to £18,000	5.9%
4	£18,001 to £30,000	6.5%
5	£30,001 to £40,000	6.8%
6	£40,001 to £75,000	7.2%
7	Over £75,000	7.5%

What if I change job?

If you get a new job, a promotion, a regrade – in fact anything which puts your pay in a different band part way through the year, then your employer has the discretion to change your contribution rate part way through the year. In other words, it may or may not happen!

Leavers news

If you leave the LGPS – perhaps because you move to a job in the private sector – then one of your choices is to have deferred benefits. This is where we work out the value of your pension and/or lump sum at the point you leave, then hold them for you, protecting them against inflation in the meantime.

If you rejoin the Scheme

If you then rejoin the scheme, the fact you already have deferred benefits impacts on you in two ways:

- If you then leave again within 3 months, you cannot have a refund (which would otherwise normally be offered)
- You don't have to build up the 3 months minimum which would normally apply, to allow you to draw your benefits.

If you die...

If you die with deferred benefits, the lump sum we pay out has been increased to 5 times the up to date value of your retirement pension. This includes any deferred membership built up before 1 April 2008.

Look who's talking

As you probably know, by being a member of the Scheme, you automatically have the cover of protection for your loved ones, in the event of your death. One of the improvements we told you about last time was the increase in the amount of lump sum life cover from two years' pay to three years' pay.

As part of the life cover package, we also pay pensions to dependent children. And the new 2008 rules have now been clarified as to which children are entitled to receive a pension if you die. The conditions are:

- The child must be your own natural or adopted child, *and*
 - The child must have been born less than 12 months after the date of your death. For example: If a child was conceived by IVF or similar method and is born 12 months after your death then they won't be entitled to a pension. *and*
 - When you die, the child must be under 18, or aged between 18 and 23 years and in full time education or vocational training, *and*
 - When you die, the child must be wholly or mainly dependent on you. We would normally take this to mean that the child was dependent on the member for at least half its financial needs, though we would also consider other types of dependency. For example: If the child was in the member's care and wholly or mainly dependent on that care
- ### GMPF discretions
- As a fund, we can also award a pension to a dependent child who is outside the age range already described, but who is disabled within the meaning of the Disability Discrimination Act.
 - We also have discretion to award a pension to a dependent child between the ages of 18 and 23 who enters full time education or vocational training after your death.
 - We also have discretion to ignore breaks in education or training and can suspend payment of a child's pension throughout any such break.

