

# Important changes in Scheme rules

*Various far reaching changes in the Scheme rules were recently published. Most of these came into effect on 1 April 2004. We're currently working on changing literature, forms, etc, but in the meantime, here is a brief summary of the changes and how it might affect you.*

*Before making any important decisions, we strongly advise you to check with your employer's pensions officer or our helpline, as shown at the end of this bulletin.*

## Two year cut off point scrapped

In the past you generally needed at least **two years'** membership to qualify for most benefits. So to take an extreme example, someone joining at age 59 and retiring at age 60 couldn't usually draw their benefits.

This two year cut off point has been replaced with a **three month** cut off point, meaning more people qualify for benefits.

This change also affects other sections, for example leavers' choices, and we have covered these under their own headings in this bulletin.

## Change in rules on ill health retirements

To retire on ill health, a specially qualified doctor must decide whether you are unable to do your own job, or any available similar job, right up to age 65. The new rules spell out that the doctor should consider whether you **more likely than not** fall into this category.

You now only need **three months'** membership to qualify for ill health benefits. If you retire on ill health with less than three months', we will pay you a refund of your contributions.

In the past, someone who had retired on ill health could get another job with a Scheme employer, then retire on ill health again, with extra years. From now on there will be no extra years in cases like this.

### Important note about timings:

**All the changes covered in this bulletin came into effect on 1 April 2004, with the exception of the changes to the complaints system, which take effect from 1 June 2004.**



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## Do you have deferred benefits too?

Do you pay into the Scheme now, but also have some deferred benefits from an earlier job - either in this Fund, or another LGPS Fund? In the past you could leave your options open, by leaving the various 'pots' separate, with the option to link them together at any time in the future - but this is no longer the case.

**The deadline for linking any deferred benefits you already have is 31 March 2005, unless you rejoined after 1 April 2004. In this case, you have 12 months from rejoining to decide.**



Your employer may allow you more time, but this is unlikely.

### Deferred benefits - transfer or keep separate?

If you keep your deferred benefits separate, they will be worked out on the membership you built up, and your final pay when you left. Inflation proofing will then be added to keep their value up to date.

If you instead transfer this membership to your current job, we will work out one set of benefits based on **total** membership from both jobs, and **final** pay in your current job.

So you could assume that as long as your current pay is higher than your old pay (allowing for the inflation proofing which has been added) you will benefit from transferring rather than keeping your deferred benefits separate.

This is often the case, but there are several other things to bear in mind, including...

- If there is a big gap between the two jobs, your current benefits may have a later retirement age than your deferred benefits. If you transfer your earlier membership, you might end up with a later retirement age for this too.
- If you retire on ill health, the benefits could be different
- If you die before you retire, the benefits could be different

**For more detailed notes about deferred benefits, please click here.**



**For a ready reckoner showing the effect of inflation on your earlier pay please click here.**



**If you want to transfer your deferred membership, click here for an option form**



**Example**

Ben joined this Fund at **25**. He left fifteen years later with deferred benefits, and his pay back then was **£10,000**. Ben rejoined the Scheme at **45**, and chose to leave his deferred benefits separate. He's now in his fifties - and like you - is wondering what to do for the best...

#### The pay factor

Ben's pay when he left was **£10,000** - nowhere near as good as his pay now of **£20,000**. But remember we've applied inflation proofing to his deferred benefits - in this case **60%**. So that's equivalent to having them based on a pay of **£16,000**.

Based on this, Ben decides to transfer his membership and have it all 'in one pot'. Here's how the figures compare for both options based on today's pay, and his projected membership to age 60.

#### Current value of separate deferred benefits

PENSION: £3,000  
LUMP SUM: £9,000

#### Current job: benefits at 60 based on today's pay

PENSION: £3,750  
LUMP SUM: £11,250

#### TOTAL IF HE KEEPS THEM SEPARATE

PENSION: £6,750  
LUMP SUM: £20,250

#### TOTAL IF HE TRANSFERS

PENSION: £7,500  
LUMP SUM: £22,500

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## Different choices for leavers

The change in the 'cut off point' to **three months'** means fewer leavers will be able to have refunds, but more will be able to have deferred benefits. Here's how it works...

If you leave the Scheme because you leave your employer, your choices are:

- **A refund:** As long as you have less than **3 months' membership**, you are under 65 and have not brought in a transfer
- **A transfer to another scheme:** no matter how much or how little membership you have built up
- **Deferred benefits:** As long as you have at least **3 months' membership** (or you have brought in a transfer in the past)

**If you are simply opting out of the Scheme but staying with your employer, and have less than three months, you can only have a refund.**

**If you were already paying into the Scheme on 1 April 2004:**

**If you leave, you can opt for the 'old rules' to apply - for example you can ask for a refund if you leave with less than two years' membership.**

### More about deferred benefits:

this is simply where you leave your benefits on hold with us, and could be worth more to you in the long run than a refund. Remember, if you rejoin the Scheme at some future date, you will only have **12 months** to link your deferred benefits with your new membership, unless your new employer allows you more time.



## Pensioners who work again

If you retire from your job and draw a pension from us, it is possible to get another job with a Scheme employer and retire from that job with a second set of pension benefits.

In the past, the rules allowed you to retire for the second time, and ask us to work out one combined pension on your new pay if this made you better off. But from **1 April 2004** this is only possible for those already re-employed by that date.

## What makes up your pay?

As you may know, pay is a key ingredient, both for deciding how much you pay into the Scheme, and for working out your benefits. In the past it has been possible for employers and employees to negotiate a 'notional' pay for pension purposes. We have seen this done where employees have an unusual shift pattern, for example.

**From 1 April 2004, no new pay arrangements like this can be negotiated, but any already in place can stay.**

# Important changes in Scheme rules

## New complaints system

If you disagree with a decision which has been made about your pension you can complain. For some time, we have had a two stage complaints system in place, but recent changes in the rules will affect who handles your case, for any complaints made on or after **1 June 2004**,

### This is how it will work:

**Stage 1:** Your first stage is to write to whoever made the decision you disagree with - either your employer or ourselves. You should do this within six months.

**Stage 2:** If you disagree with the Stage One Referee's decision, you can appeal to the Stage Two Referee. This will be one of two people appointed by ourselves, no matter who your complaint is against.

All other aspects of the complaints system remain the same - for example your right to go to OPAS or the Pensions Ombudsman. Details are in the Members' Guide.

### Please note:

**If you had already made a complaint before 1 June 2004, the previous arrangements will remain unchanged until your case has been finalised.**

**Stage 1: Put your complaint in writing to whoever made the decision you disagree with...**

### Complaints against employer

Your employer's Pensions Officer will be able to tell you who to write to.

### Complaints against this Fund

Director of Pensions  
Council Offices  
Wellington Rd  
Ashton under Lyne  
OL6 6DL.

**Stage 2: If you are unhappy with the Stage One decision, (or you haven't had a reply within three months) you can appeal to one of the Stage Two Referees: .**

### All Stage Two Complaints:

The Pensions Referee  
Room 2.48  
Council Offices  
Wellington Rd  
Ashton under Lyne  
OL6 6DL.

## Happy to help

Please feel free to contact us if you want to talk through any of the issues raised in this bulletin.

**Pensions Helpline:  
0161 301 7000**

