

# Deferred benefits update

Summer 2003

Welcome to this deferred benefits update. We have produced it to tell you a little more about your deferred benefits in general, and to keep you up to date with some of the changes in the Scheme rules which may have come in since you left.

In some cases different rules apply to different people, so please read the articles carefully, to see which apply to you.

I hope you find these notes helpful, and remember, if you want to know more, we are only a phone call away.

*Ged Dale*

Ged Dale  
Head of Pensions Administration

## Contents

Drawing your benefits:	1
Ill health:	2
Bigger pension or lump sum:	2
If you die before we pay your deferred benefits:	3
If you were paying AVCs	3
Putting problems right	4
Rejoining the LGPS	4
Data Protection	4
Tracing old pensions	4
LGPS Regulations	4



**Pensions helpline  
0161 301 7000**

## Drawing your deferred benefits

We will normally pay your deferred benefits as described in this section, but it may be possible to draw them on the grounds of ill health (see page 2).

### If you left before April 1998

Even if your normal retirement date is later than age 60, you can choose to draw your benefits at 60, but with a reduction. The reductions depend how long it is to your normal retirement date - see the box on the right for more details.

If you **don't** choose reduced benefits, we will pay unreduced benefits from your normal retirement date. But **if you are a woman** we will still pay any guaranteed minimum pension from age 60.

From 50 onwards, you can ask your former employer to agree to let us pay your benefits for **compassionate reasons**. But because this will involve extra costs for them, they are unlikely to allow it unless the reasons are exceptional.

### If you left on or after 1 April 1998

- You can draw your benefits from 60 onwards, without permission.
- You can ask to draw your benefits between 50 and 60, but this is only possible if your former employer agrees.

In either case, we have to carry out something called the 85 test, to check whether your benefits should be reduced.

We do this by simply adding together the age you draw your benefits and the membership you would have built up by this age (ignoring part years for both). If this comes to less than 85, your benefits will be reduced. The reductions depend how long it is until you would score 85.

Your former employer can waive the reductions on compassionate grounds, but as this will cost them extra, they are unlikely to allow it unless the reasons are exceptional.

Your illustration shows the age from 60 when your benefits can be paid without a reduction.

**If you are a woman** and we pay your benefits later than age 60, we will still pay any guaranteed minimum pension from age 60.

*Please note: paying your benefits before 60 may cost your former employer, and this may affect their decision.*

### Early retirement reductions

The earlier you draw your benefits, the bigger the reduction. So a man going one year early would lose 8% off his pension and 2% off his lump sum. Whereas a man going three years early would lose 22% off his pension and 7% off his lump sum.

But if an **unreduced** pension based on the following membership is higher, we will pay this instead:

- **Men:** Membership you built up through standard contributions between 17 May 1990 and 30 April 1995
- **Women:** Membership you built up through standard contributions between 6 April 1978 and 30 April 1995

### Paying benefits before 55

Inflation proofing increases will not normally apply until 55 (but see page 2 for rules on ill health pensions).

### Normal Retirement Date

**If you joined before April 1998:** it is the age between 60 and 65 when you would have had 25 years' LGPS membership had you stayed in the Scheme. If you would have had more than 25 years by 60, it is still 60. If you wouldn't have had 25 years by 65, it is 65.

**If you joined from 1 April 1998:** In all cases, your normal retirement date is 65.

# Drawing your deferred benefits on health grounds

You can only draw your benefits on the grounds of ill health if your former employer authorises it.

They can only do this if:

- You become permanently incapable of carrying out the duties of your former job through ill health

and

- Your former employer's independent, qualified doctor certifies your permanent incapacity

By permanent, we mean that you would never be able to do your former job until at least age 65.

If you do retire in this way there are no early retirement reductions as described on page 1. But if you are under 55, you will not get the inflation proofing increases unless you are too ill for regular employment.

## Terminal illness

If your benefits become payable under this rule because you are terminally ill and have a life expectancy of less than one year, you can ask us to exchange your pension for a single lump sum payment. But if you have a guaranteed minimum pension, we must continue to pay this as a pension.

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# Transferring your deferred benefits

*You may find that you want to move your benefits to another scheme, rather than leaving them with us until you draw them...*

Any time up to one year before your normal retirement date (but not more than once a year) you can ask us for the transfer value of your benefits. This is known as the *cash equivalent transfer value*, and it is a quotation of the amount we would be able to transfer to another pension scheme or arrangement. Put simply it is the amount of money we would need to invest to pay your deferred benefits from your normal retirement date.

Providing they are willing to accept them, and they are Inland Revenue approved, we can normally transfer to:

- Your new employer's pension scheme
- A personal pension (including a stakeholder or self employed scheme)
- A buy out policy

We normally guarantee the amount we quote for three months. In other words, if you ask us in writing to go ahead with the transfer within this period, this is the amount we will pay.

If you were paying AVCs through Prudential to boost your benefits, there are special rules covering these - please see page 3 for more details.

## If you are interested in a transfer

You cannot do this over the phone. Instead please write to us at the address below, making sure you include:

- Your current marital status
- and if you have a specific scheme in mind...*
- Their name & address, and
  - Your permission for us to release information to them

**Transfers Section  
Greater Manchester  
Pension Fund  
Concord Suite  
Manchester Rd  
Droylsden  
M43 6SF.**

# Mix & match - bigger pension or lump sum?

*Whatever age you draw your deferred benefits, you now have a little more choice than the standard package of a one off lump sum and a pension.*

## Bigger pension

You can boost your pension, by giving up some lump sum. You can give up as much of your lump sum as you like, as long as it's in units of £100.

For example, John draws his benefits at 60, and decides to give up **£10,000** of his lump sum. He is married, so we will pay him an extra pension of **£563** a year. Remember, this is inflation proof, and he is also boosting the pension we will pay his wife if he dies first.

## Bigger lump sum

This is only possible in limited circumstances. First, you must have joined before 17 March 1987. We also have to look at Inland Revenue limits to check whether you have any scope for a bigger lump sum. *The rules surrounding this option are complex, and we will have to check whether it is open to you before you can go ahead.*

Here are the figures for John if the bigger lump sum option is open to him...

Suppose he gives up **£500** of his yearly pension, his lump sum will grow by **£8880**.

*If you are interested in either of these options, you only need ask when you come to draw your benefits.*

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*Always remember to let us know if you move house, so we can easily find you when it's time to pay your benefits!*

# If you die before we pay your deferred benefits

The general principle is that we will pay out the 'up to date value' of your retirement lump sum as a death grant, and pensions for your husband or wife and possibly for eligible children. This section tells you a little more about some of the considerations...

## Widowers' pensions

If you are a woman and you die before your husband, we will pay him a pension, as long as you built up some membership after 5 April 1988. All your membership after this date will count towards his pension (but see *Marriage after leaving* below). If you left after March 1998 any membership from April 1972 to 5 April 1988 will normally count too. Any other membership will only count towards your husband's pension if you have paid extra to make it count through the *Options* Scheme we ran some years ago.

## Judicial separation

Even if you are separated when you die, but not divorced, we will still pay a pension to your husband or wife.

## Marriage after leaving

If you got married **after** you left the employment which resulted in your deferred benefits, we can only base your husband's or wife's pension on certain membership. It can only be membership you built up by paying standard contributions, and it must fall after a certain date:

- **If you are a man:** We can only base your wife's pension on your membership after 5 April 1978
- **If you are a woman:** We can only base your husband's pension on your membership after 5 April 1988

## Remarriage and cohabitation

Any pension we pay to your husband or wife is paid for life - it doesn't stop if they remarry or live with someone.

## Children's pensions

If you leave one or more eligible children when you die, we will pay them a children's pension for as long as we still class them as children. Generally this means under age 17, unless they are in education or training for a profession. *The rules deciding who is classed as an eligible child are complex - please ask if you need to know more.*

## Lump sum death grant

We will simply pay the 'up to date value' of your retirement lump sum as a death grant. We must decide who to pay it to, but you are welcome to fill in the enclosed *Nomination Form* to let us know who you would like us to pay. We cannot guarantee to follow your wishes, but we will give them strong consideration. To change or update your nomination at any time in the future, simply call and ask for a new form.

## Multiple membership

If you have built up more than one set of benefits in the LGPS when you die, any death grant or death grants due will normally be paid in full.

## Dependants' pensions

Dependants' pensions are a proportion of the pension you have built up, based on all or part of your membership. The proportions are:

- Husband or wife: Half your pension
- One child: Normally a quarter
- Two or more children: Normally share half your pension

# Were you paying AVCs?

AVCs - additional voluntary contributions in full - are an investment based vehicle, mainly used to provide an extra pension (but not lump sum). If you were paying into our AVC pension arrangement with Prudential, this section looks at your options...

## Transferring AVCs

If you transfer your main benefits and you have Prudential AVCs, you **must** transfer these too. Providing they are willing to accept them, and they are Inland Revenue approved, we can normally transfer AVCs to:

- Your employers' pension scheme
- A personal pension (including a stakeholder or self employed scheme)
- A buy out policy

Please note we cannot transfer your AVCs to a freestanding AVC you arrange yourself.

## Delaying buying your AVC annuity

The way you turn your AVCs into an income is known as **buying an annuity**. Put simply, you exchange the 'pot of money' you have built up through your AVCs, for a monthly pension.

We take care of all the arrangements for buying the annuity for you. We can either buy your annuity from Prudential, or we will consider alternate annuity providers if you ask us to.

We cannot buy your annuity with your AVCs before you draw your deferred benefits, but you can ask us to buy your annuity as late as age 75.

# Rejoining the LGPS

If you rejoin the LGPS in future - or have done since 1 April 1998, this is how it works...

- We will keep your deferred benefits separate from the new benefits you build up. But if you tell us in writing that you want to transfer them, we will cancel your deferred benefits and transfer that membership to count in your new employment. If you want a transfer in this way, you must ask while you are still paying into the Fund - you cannot ask after you leave.
- If you don't transfer your earlier membership to count in your new employment, you will have two separate sets of benefits. Also the earlier membership will not count in your new employment towards working out the age you can retire with unreduced benefits.

# Putting problems right

If at any time you have a pensions problem with either ourselves or your former employer, please let us know and we will try to put things right. Many problems are caused by simple misunderstandings and can be put right quickly and easily this way.

If talking the problem through doesn't sort it out, you can go through a more formal two stage dispute procedure.

**Stage 1:** You have **six months** from the problem taking place to complain to a 'local referee', appointed by Tameside MBC. He will look at your case and come to a decision. *Please note: the referee can extend the six month deadline, but only in special circumstances.*

**Stage 2:** If you are unhappy with the referee's decision, you have **six months** to take your case to the Secretary of State at the Office of the Deputy Prime Minister. You can also go straight to stage 2 if you have gone through stage 1, but not heard from the referee within **three months**.

If you want to go through the dispute procedure, you can write to the referee at the address below. Or you may find it helpful to get a copy of our *How to Complain* booklet. This gives more details of the dispute process, and includes a form to help you explain your case clearly. If you would like a copy, please call our helpline, and we will post a copy to you.

**Pensions Helpline: 0161 301 7000**

**The Pension Fund Referee  
c/o The Secretary to the  
Head of Pensions  
Room 2.48, Council Offices  
Tameside MBC  
Wellington Road  
Ashton-under-Lyne  
OL6 6DL**

# Data Protection Act 1998

Tameside MBC is the data controller of the details we hold about members of the Fund. We use these to run the pension fund, including producing things like the enclosed illustration, and to eventually pay your pension benefits. This section explains how we hold these details, and whether anyone else has access to them.

We store details of all members on computer. Large employers - mainly the 10 local authorities - have access to some of this information about their former employees and can see their service history. This can be useful if someone starts working for them again. Although we store details of nominations on computer, employers cannot view this.

Once every three years, the Fund's actuary examines details of the Fund's investments and membership, to make sure there

is going to be 'enough in the pot' to pay existing and future benefits. To help him do this, we supply him with some of the details - for example members' ages, and the benefits they have built up. Again, the actuary cannot see details of nominations.

If you paid pension AVCs to Prudential, and you let us know you have changed address, we will also pass this on to them. This is so they can continue to send you your yearly statement, and produce an annuity quote when you retire.

# Tracing old pensions -

## The Pension Schemes Registry

The Registry keeps details of the names and locations of pension schemes and any changes in them. We have registered details of the Fund with them. If you were in another scheme in the past and have lost touch with them, the Registry should be able to help you trace them.

**Pension Schemes Registry  
PO Box 1NN  
Newcastle-upon-Tyne  
NE99 1NN  
☎ 0191 225 6393**

# LGPS rules

The latest LGPS rules are *The Local Government Pension Scheme Regulations 1997 (as amended)* and *The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (as amended)*. They apply to all members who left with deferred benefits on or after 1 April 1998. The main rules which apply to members who left with deferred benefits before this date are *The Local Government Pension Scheme Regulations 1995 (as amended)*. The 1997 regulations only apply in part to these members.