

a brighter future



**The Arthritis Care Pension Scheme
A Guide for Members**



The Pensions Trust

The Arthritis Care Pension Scheme

The Arthritis Care Pension Scheme (the Scheme) has been designed to provide security for you during your retirement and for your dependants in the event of your death. The Scheme provides benefits related to your earnings during your membership. Administration is carried out by The Pensions Trust.

The Scheme has been designed in close consultation with The Pensions Trust, which is the leading provider of pensions to the voluntary sector. The main features are summarised on the following pages.

This booklet provides basic information about the Scheme. It gives general guidance only, and you should not regard it as a complete or authoritative statement on the formal Trust Deed and Rules. It is provided to all members and prospective members and consolidates and replaces previous scheme booklets, announcements and disclosure leaflets.

If you have any general enquiries about joining the Scheme, you should contact:

The Human Resources Department
Arthritis Care
18 Stephenson Way
London
NW1 2HD

Tel: 020 7380 6513 / 6514 / 6515
Email: info@arthritiscare.org.uk

Should you have any other queries or require further clarification or detailed information about your own benefits you should contact:

The Arthritis Care Pension Scheme
The Pensions Trust
Verity House
6 Canal Wharf
Leeds
LS11 5BQ

Tel: 0113 394 2735
Fax: 0113 394 2698
Email: enquiries@thepensionstrust.org.uk

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Joining the Scheme

Can I join the Scheme?

Yes, by completing an Employee Application Form which you can request from Arthritis Care, as long as you:

- are aged between 16 and 64, and
- are a permanent employee and have completed your three month probationary period (including employees with fixed term contracts of more than one year); or
- are a temporary employee and have completed 12 months' continuous service.

When can I join?

On completion of your probationary period, provided that you fulfill the above age criteria, you will be automatically entered into the Scheme. If you do not wish to join the Scheme you must complete an opting out form, available from Human Resources Department.

If you decide not to join the Scheme, you may be allowed to join later if Arthritis Care and the Trustee agree, and subject to a minimum of three months' service unbroken through illness.

Every member is bound by the obligations of the formal Trust Deed and Rules and the Scheme Document.

How much do I pay?

Your contributions will be 7% of your pensionable earnings. However, the actual cost to you is substantially less because you get tax-relief on your contributions.

Additionally, if you are an Open Section Member (see 'Definitions') you will be contracted-out of the additional State Pension (see 'Further Information') and pay lower National Insurance contributions, which reduces the cost further. If you were a member of the Previous Scheme (see 'Definitions') you may also have chosen to contract-out. If so, you will pay lower National Insurance contributions.

Contribution rates are reviewed by the Trustee on the advice of the Actuary at least every three years and it is possible that rates may alter in the future.

You may, if you wish, pay extra contributions in order to boost your retirement benefits. These extra contributions are known as Additional Voluntary Contributions (AVCs). Further details are given later in this booklet.

How much does Arthritis Care pay?

Arthritis Care pays the balance of the cost of the Scheme, which will vary from time to time. Arthritis Care also pays lower National Insurance contributions in respect of Open Section Members as a result of these members being contracted-out of the additional State Pension.

Can I transfer previous benefits into the Scheme?

Yes, subject to certain criteria and the transfer not affecting the Scheme's tax-registered status, transfers from previous pension arrangements are accepted at your request. This is subject to your written agreement to the alternative rights offered.

If you are a Closed Section Member and have contracted-out rights in your previous arrangement, you should note that these cannot be transferred to the Scheme.

The transfer value will secure an amount of additional annual pension for you in the Scheme, on a basis agreed by the Actuary.

If you would like to consider a transfer of previous benefits, you should write to The Pensions Trust giving details of your previous scheme and your authority for us to request a transfer value quote.

The Pensions Trust does not currently permit transfers-in by members who are no longer contributing to the Scheme.

Leaving

What happens if I leave the Scheme?

If you leave the Scheme, this will normally be because you change jobs. You may also leave the Scheme and continue to work for Arthritis Care. In both cases you can choose to:

- have a deferred pension; or
- transfer your benefits to another pension arrangement; or
- take a refund of any contributions you may have paid to the Scheme, but only if you leave the Scheme with less than two years' qualifying service (see explanation following).

Note: If you choose to opt-out of the Scheme, you must give Arthritis Care one month's written notice, and you may only rejoin the Scheme if Arthritis Care and the Trustee agree to you doing so.

Deferred pension

Your deferred pension is calculated at your exit date in the same way as described in the 'Retirement' section of this booklet. A detailed worked example is given at the end of this booklet in 'Further Information'. Your deferred pension will continue to increase in value until it is paid to you at retirement.

You may apply for early payment of your pension at any time from when you become eligible (see 'Retirement').

For members who joined the Previous Scheme **before 1 January 1995**, your deferred pension from the Scheme is payable from age 60 without reduction for early payment. AVC pension is usually smaller if taken before age 65.

How does my deferred pension increase?

The Guaranteed Minimum Pensions (GMP) part of your pension, if applicable, is increased by statutory revaluation for each complete tax year until you retire. The revaluation rate is 4% for leavers from April 2007 and may change from time to time.

Any deferred pension in excess of the GMP will continue to increase each year prior to retirement by the lower of 5% or the rise in the Index (see 'Definitions').

Once you have retired, your pension will increase as shown in the section 'How does my pension increase' on page 14.

Transfer of your benefits

You may transfer your benefits to another pension arrangement (such as your new employer's pension scheme or to a personal or stakeholder pension plan) at any time after you leave the Scheme, but before you take your pension.

The amount transferred will be the cash value of your deferred pension, calculated as the best estimate of the cash sum required to be invested in the Arthritis Care Pension Scheme to reproduce your benefits. A Statement of Entitlement to a guaranteed cash equivalent transfer value of your benefits will be provided on request at any time.

Refund of your contributions

You may take a refund only of your own contributions to the Scheme (usually with interest), provided you have less than two years' qualifying service. Qualifying service includes your period of membership of this scheme or other schemes of The Pensions Trust, plus actual membership relating to benefits from any previous scheme which you have transferred into this scheme. If you have transferred benefits from a personal pension plan to the Scheme you cannot take a refund of your contributions.

Refunds

There are two deductions from the refund:

- tax will be deducted at a rate of 20% (or 50% on any refund amount in excess of £20,000); and
- (for open section members only) an amount which will buy you back into the additional State Pension (known as State Second Pension).

Note: If interest is included with your refund, you will need to notify your tax office of the amount of interest you receive. This is because the law now requires that gross interest is paid. Your tax office will subsequently notify you of any tax charge applicable to this sum.

Retirement

There is no longer the requirement to have left the employment to which the pension relates. With the exception of ill-health early retirement and members with a 'Protected Pension Age' (see 'Definitions'), any reference to retirement in this booklet includes those members who choose to receive their pension benefits **and** continue working, as opposed to retiring in the more traditional sense (i.e. stopping work).

When can I retire?

The Scheme's Normal Pension Age (NPA) is 65. This is the age that will be used for normal funding purposes for scheme benefits. If you retire after NPA your pension will be greater, and if it starts before NPA it will be smaller.

Whilst the information below explains when you can take your pension, the age at which you choose to retire is an employment issue, the timing of which you should discuss with Arthritis Care.

What will I get?

At retirement you have the option to take a pension, or a lump sum and a reduced pension. Lump sums are covered later in this section.

For service from 1 January 2008, your pension at NPA is calculated as follows:

1/60th (or 1.66%) of total revalued career earnings. An easier way to explain this is to say that each year you earn an amount of pension based on your pensionable earnings in that year - for example:

Pensionable Earnings	Annual Pension
£8,400 x 1/60	£140
£12,000 x 1/60	£200
£16,800 x 1/60	£280

This calculation is made for every year that you have been a member of the Scheme. If you had been in the Scheme for 20 years earning £16,800 each year then, before revaluing for inflation protection (which is dealt with next) your pension would be:

- 20 years x £280 = £5,600 a year

However, the pension you earn for each year will be increased as described in the next section.

If you have transferred previous benefits to the Scheme then the transferred benefits will be paid in addition to your normal benefits calculated as shown above.

What about inflation?

The pension you build up from your earnings each year is increased before retirement:

- by the rise in the Index (capped at 5%) that follows in each subsequent year before retirement;
- revaluation under the Rules is for complete Scheme years - January to the end of December, effective from January each year; and
- the earnings from your last complete year of membership (January to December) plus the earnings from 1 January to the date you leave or retire are not revalued under the Rules of the Scheme.

For example, if price inflation is 5% for two years, and if you have already accumulated £1,200 pension, that pension will increase before retirement by:

$$£1,200 \times 1.05 \times 1.05 = £1,323 \text{ annual pension}$$

A detailed worked example is given at the end of this booklet in 'Further Information', on page 20.

What if I was a member of the Scheme before 1 January 2008?

If you were a member of the Scheme before 1 January 2008 then you also have 'final salary' benefits which will be added to the benefits earned from 1 January 2008 (calculated as shown above).

Your pre-2008 benefits will be calculated using your pensionable service built up to 31 December 2007, and your Final Pensionable Earnings (see 'Definitions') at your date of retirement.

For example, if you had ten years of pensionable service, plus two years additional service transferred from a previous pension scheme, and your Final Pensionable Earnings at retirement are £16,800, then your pre-2008 benefits would be:

$$12/60 \times £16,800 = £3,360 \text{ annual pension, to be added to the benefits you built up from 1 January 2008 onwards.}$$

If you have worked part-time (or go on to work part-time) then your pensionable service and Final Pensionable Earnings will be converted to their full-time equivalents to ensure that your pre-2008 benefits are calculated correctly.

Can I retire early?

Yes you can take early retirement from age 55 even if you choose to continue working. You may take your pension benefits between ages 50 and 55 if you have a Protected Pension Age (see 'Definitions') and have left employment to which your membership relates, or at any age if you are retiring on grounds of ill-health (subject to approval). Your pension will usually be lower than at NPA because it will be reduced to allow for the fact that pensions paid early are expected to be paid for longer.

If you retire early, you still have the option to take a lump sum. This sum will also be smaller than it would be if you retired at Normal Pension Age (NPA).

If you joined the Previous Scheme before 1 January 1995 and retire at age 60 or later, your pension (excluding any AVC pension) will not be reduced for early payment before NPA.

Can I take a lump sum?

Yes, you can give up part of your pension and exchange it for a Pension Commencement Lump Sum (PCLS). This will leave you with a smaller pension, reduced according to your age.

The PCLS was previously known as your tax-free lump sum. However, it is now possible for a tax charge to apply, but only if your pension savings exceed the Lifetime Allowance (see 'Definitions').

The maximum lump sum available is usually 25% of the value of your pension benefits. Unfortunately the calculation is not straightforward, however, as an indicator, some examples are shown below of the cash sums available to individuals at age 65. Note: These figures are only provided as examples.

Option 1	Option 2	
Full Pension	Maximum Lump Sum	Reduced Pension
£5,000 per year	£21,120	£ 3,160 per year
£10,000 per year	£42,240	£ 6,330 per year
£15,000 per year	£63,360	£ 9,500 per year

Taking a PCLS at retirement will leave you with a reduced pension. The above table shows comparisons between a full pension (Option 1) or a PCLS with a reduced pension (Option 2) for an individual aged 65.

Are there any other options?

You can provide a higher level of pension for a dependent person by giving up part of your own pension at retirement. If you are interested in this option, you should request a quotation when you are nearing retirement.

Can I contribute after Normal Pension Age?

Yes, if Arthritis Care agrees to you continuing to work after age 65, you may continue to contribute to the Scheme up until your 75th birthday. You must take your pension by age 75, even if you continue to work.

Your pension from the Scheme at age 65 will be increased by a late retirement factor, and you will receive additional benefits based on your pension accrual past age 65.

Death benefits will continue to be provided on the same basis as they were before age 65.

What happens if I am too ill to continue working?

Provided there is satisfactory medical evidence that you are and will continue to be unable to work again in any capacity, your pension can be paid immediately regardless of your age. Guidance on eligibility is available on request.

Your pension will be calculated based on your revalued career earnings at the date of early retirement (plus, for pre-2008 members, pension calculated using pensionable service to 31 December 2007 and Final Pensionable Earnings). There will be no reduction for early payment.

If you retire early due to ill-health, you still have the option to take a Pension Commencement Lump Sum.

The Trustee reserves the right to request updated medical evidence on your state of health and has the discretion to reduce or suspend your pension if eligibility changes.

You may also apply for early payment if you are too ill to continue working and have a deferred pension after leaving your employment or leaving the Scheme. If approved, your deferred pension will not be reduced for early payment.

Death Benefits

What happens if I die before retiring?

If you die before you retire while in employment and contributing to the Scheme as required by Arthritis Care, the benefits are:

Lump sum

- three times your pensionable earnings at the date of your death; and
- a refund of your own contributions, with interest.

Survivor's pension

- 50% of the pension you would have received, calculated using the pension earned up to the date of death plus the prospective pension from that date to age 65, and your pensionable earnings at the date of your death; or
- the member's survivor may choose to receive a one off tax-free lump sum in lieu of a taxable pension (subject to the minimum pension being paid to the spouse or civil partner under contracting-out legislation).

Children's pension

- Where there is no survivor, the survivor's pension can be shared equally between dependent children.

What happens if I die after leaving the Scheme?

If you die after leaving the Scheme but before you start receiving your pension the benefits are:

Lump sum

- A refund of your own contributions, with interest.

Survivor's pension

- 50% of the pension you would have received, calculated on the value of your deferred pension at the date of your death.

Children's pension

- Where there is no survivor, the survivor's pension can be shared equally between dependent children.

What happens when I die after retiring?

When you die after retirement the benefits are:

Lump sum

- If you die within five years of retiring, a lump sum death benefit is paid. The sum paid is equal to the unpaid balance of the five years' pension payments, at the rate applicable at the date of death.

Survivor's pension

- 50% of your pension (calculated on your full pension before you took any Pension Commencement Lump Sum and including increases in your pension).

Children's pension

- Where there is no survivor, the survivor's pension can be shared equally between dependent children.

Important notes

- For Open Section Members only:
Because of the regulations governing schemes which are 'contracted-out' of the additional State Pension, the spouse's/civil partner's Guaranteed Minimum Pension (GMP), or 'Reference Scheme' pension, must be paid to a legal spouse or civil partner, if you have one, at the date of your death.

Note: The GMP payable to a widower or civil partner will be based on the GMP that the member accrued from 6 April 1988.

- If your partner or survivor is more than ten years younger than you, the pension will be reduced by 2.5% for each whole year in excess of ten that he/she is younger than you.
- Except for legal spouses and civil partners, it will be necessary for the Trustee to receive confirmation that the nominee for a pension is eligible at the date of the member's death.

Nominations

- You must complete a Nomination Form or put your nominations to us in writing.
- Separate nominations are required for lump sums and pensions (even if you have nominated the same person to receive both).
- You should ensure your nominations are kept up to date. If you wish to make any changes to the nomination or a nominee's address, please notify The Pensions Trust in writing.

Who gets what?

Lump sum

- you can nominate one or more persons or organisations;
- if you choose more than one you must state the percentage you want each person or organisation to receive;
- you should not use the words 'Executor', 'Administrator', 'In Trust for' or 'Estate' for your nomination, but the proper names of persons or organisations.

Survivor's pension may be paid to:

- your spouse or civil partner; or
- a child who is disabled and is unable to earn a living (in this case the child would be paid the survivor's pension, but not the child's pension); or
- you may nominate a dependent child to receive the survivor's pension, but this would stop when he or she ceased to be treated as a 'Child' as described below. (Note: The child would receive the survivor's pension in place of the child's pension.); or
- anyone who lives with you and shares living expenses; or
- anyone who is largely financially dependent on you.

Children's pension (payable only if no survivor's pension is paid) may be paid to:

- any child who is aged under 18; or
- any child below age 22 if in full time education; or
- a child of any age who is disabled and unable to earn a living, unless that child is already receiving a survivor's pension.

'Child' will have the meaning defined in the formal Rules.

Children's pensions cease on reaching age 18 or 22 as described, unless the child is disabled and unable to earn a living, when the pension can continue for the rest of that child's life.

Your Pension

How will my pension be paid?

You will receive your first pension payment on the day of your retirement or within seven working days of The Pensions Trust receiving the appropriate forms. Thereafter pensions are paid quarterly in advance, on the 6 of January, April, July and October. They will be paid direct to your bank, building society or Giro account.

Note: Your pension is taxable, and if any tax is due it will be deducted under the PAYE system.

When will my pension increase?

Pension increases are applied on 6 April each year. Increases are based on the rise in the Index (see 'Definitions') in the January of the same year, as detailed below.

How does my pension increase?

The increases explained below apply to your own retirement pension, or your survivor's or children's pensions.

In some cases the State has different rules for GMP (see 'Definitions') increases if your pension is paid overseas.

Pensions (other than GMP) earned before April 1997 are increased at the discretion of Arthritis Care. The aim is to increase these pensions each year by LPI also. Subject to the above, once in payment your pension will increase as follows:

Before State Pension Age –

- The whole of your pension will increase by LPI (see ‘Definitions’).

After State Pension Age –

Closed Section Members:

- The whole of your pension will increase by LPI.

Open Section Members:

- The GMP part of your pension, if any, is guaranteed to increase each year by the rise in the Index. This increase is paid partly by the State and partly by the Scheme.
- Any pension in excess of this will increase by LPI.

Note: Any pension earned from 6 April 2005 will only receive a partial increase on the first increase date following your retirement. The rate will be in proportion to the full increase, based on the number of months your date of retirement falls before the increase date. For example, if your pension starts on 1 October (six months before the increase date of 6 April), the increase to your post April 2005 pension will be 6/12 of the full rate of increase awarded.

Boosting your Pension - Additional Voluntary Contributions (AVCs)

Should I pay AVCs?

There are various reasons for choosing to pay AVCs. These include:

- increasing the pension you will receive at Normal Pension Age (NPA);
or
- to offset the reduction which is applied to pensions paid early; or
- to boost your pension in order to reduce the impact of previous breaks in employment or periods where you did not have access to a pension scheme.

The Pensions Trust cannot give financial advice and the decision to pay AVCs is your responsibility. You may wish to discuss this with an Independent Financial Adviser.

How much can I pay?

You will receive full tax-relief on contributions to as many different tax-registered pension arrangements as you choose, provided that the total paid in each year does not exceed your annual earnings or the 'Annual Allowance' (see 'Definitions').

As long as the total increase in your benefits in any one year does not exceed the Annual Allowance, you will receive tax-relief on up to 100% of your earnings. For example, if your normal contribution rate (to your main scheme) is 7%, this will give you scope to pay up to a further 93% of your earnings as tax-free AVCs.

If your contributions exceed 100% of your earnings in any tax year, tax on the excess, at your marginal rate, is payable through self-assessment.

If you are a high earner, please also read the section on 'Annual Allowance' (see 'Definitions').

Who do I pay AVCs to?

You can pay them to The Pensions Trust or pay additional contributions to an alternative pension provider of your choice. Arthritis Care will offer one or more suitable arrangements for this purpose that are administered by The Pensions Trust. Full details of the options available to you, and further information about AVCs, will be provided by The Pensions Trust on request.

How do I pay AVCs?

Your AVCs to The Pensions Trust will be deducted from your salary in the same way as your 'normal' contributions, gaining tax-relief immediately. They are usually a percentage of your salary and can be stopped, started, increased and decreased on request.

The Pensions Trust can accept lump sum payments of AVCs/extra contributions instead of regular monthly payments. However we can only accept these payments via your Payroll Department in the same way as we receive your main contributions.

Before making any payment you will need to complete an AVC Application Form and hand it in to your Payroll Department.

What do my AVCs buy?

Your AVC fund will be used to provide additional pension benefits on a money purchase basis. This means the amount of pension will depend on variable factors such as:

- how much you pay;
- the investment return; and
- the cost of pensions when you retire.

Because of these variables it is not feasible, before contributions commence, to project what pension might be expected. After you start paying AVCs you

will receive an annual statement which will include, where appropriate, a pension projection on stated assumptions.

The AVC pension is usually payable from the same date as your main scheme benefits.

Can I take a lump sum from my AVC fund?

You can take up to 25% of the value of your AVC fund as a lump sum. This will be tax-free provided your overall benefits do not exceed the Lifetime Allowance (see 'Definitions').

How can I find out more?

A separate booklet giving further information about AVCs is available on request from the Final Salary Team at The Pensions Trust (see the back page of this booklet for contact details). This can also be found on The Pensions Trust's website www.thepensionstrust.org.uk under the 'General Literature' section of the 'Document Library'.

What if...

What if I work part-time?

In a career average scheme your pension is calculated each year from your pensionable earnings. The calculation is not affected by the number of hours you work.

If you have pre-2008 service in the Scheme, and you have consistently worked the same part-time hours in your employment, you can calculate the pension from your pre-2008 service using the method shown in the 'Retirement' section of this booklet.

The calculation is more complex if the number of hours you worked part-time changed during your pre-2008 membership of the Scheme, or if your membership was made up of full-time and part-time periods. For part-time service, your retirement benefits will be proportionately reduced, relative to the equivalent full-time service. Your full-time equivalent Final Pensionable Earnings will be used to calculate the pre-2008 part of your benefits.

What if I divorce?

The courts may order that your pension rights must be shared with your ex-spouse. An information leaflet is available on request. Members should take appropriate legal advice. On the dissolution of a civil partnership, the same pension sharing rules as those used for divorce will apply.

What if I take maternity leave?

The first 39 weeks

You are entitled to up to 39 weeks' Scheme membership regardless of whether you receive pay during this period.

If you are receiving pay from your employer, contributions should be deducted from this at your usual percentage rate, but only on the actual pay you receive. Your contributions may therefore be lower than normal.

Your employer is required to pay its full contribution, i.e. as though you were working normally, **plus** any shortfall in your contribution. Therefore in cases where you receive no pay, your employer must pay the full combined (member plus employer) contribution.

Note: If you return to work before 39 weeks' absence, your normal contributions must resume immediately.

Weeks 40 – 52

During this period, unless you are still receiving pay from your employer, no contributions are due and no benefits will accrue.

Return to work

On your return to work, pension contributions will be deducted as normal.

If you wish to pay arrears of contributions to cover any period of unpaid maternity leave, your employer has discretion over whether or not to pay its contributions. Note: If your employer declines to pay, you may, if you wish, pay the employer's share.

If anything less than the full amount is paid, your pension benefits will be adjusted to reflect the proportion of the full contributions that has been paid.

Note: Should you die during paid or unpaid maternity leave, the full range of death benefits will be paid based on your normal salary (not your maternity pay, if any).

What if I take family leave?

In the Rules 'family leave' means leave that men or women are entitled to take by law – either paternity leave when a child is born or adopted, or parental leave to care for a child. If such leave is paid, the Rules apply as for maternity leave. If unpaid, the Rules apply as for any other temporary absence.

If you die whilst on family leave the full range of death benefits will be paid. These would be based on the rate of earnings you would have been receiving if you were not on family leave.

What if I am absent from work?

If you are off work due to illness or other absence for up to 12 months, and are in receipt of full or reduced pay, you will pay contributions at your normal percentage rate on whatever pay you receive. Therefore if you receive full pay, you will pay your usual (full-rate) contribution, but if your pay drops to half-rate the contribution deducted must also be reduced to half your normal amount.

When you return to work you will have the option to pay the contributions missed. If you opt to do so, your employer may, at its discretion, also choose to pay the employer contributions missed.

If both you and your employer pay full contributions, your membership will be unbroken for the period of absence. Note: Should your employer decline to pay arrears, you may, if you wish, pay the employer's share to provide full service.

If anything less than the full amount is paid, your benefits will be adjusted to reflect the proportion of the full contributions that has been paid.

Should you choose not to pay the contributions missed, you will not accrue any pension benefits for that period.

If you die whilst on approved temporary absence, you will be treated as a contributing member and the full range of death benefits will be payable.

After 12 months' absence you will be treated as a leaver, as described in the 'Leaving' section of this booklet.

What if I was a member of the Previous Scheme on 31 July 1997?

Your Final Pensionable Earnings (FPE) will be different in the following circumstances:

If you leave before age 62, FPE is the better of your:

- highest pensionable earnings in any three years out of the last ten, and
- basic pensionable earnings plus the average over three years of overtime payments.

If you leave before age 60 or die before retirement, FPE is the better of your:

- highest pensionable earnings in any three years out of the last ten, including overtime, and
- earnings as at 31 July 1997.

Further Information

Calculation of pension - example

If you have been a member for ten years before 1 January 2008, then remain in the Scheme for another five years and your Final Pensionable Earnings at your exit date are £18,500, your pension will be:

$$1/60\text{th} \times \text{ten years} \times £18,500 = £3,083.33$$

plus

Career averaged pension of £1,512.94 a year, calculated as follows:

Table A – Example Data

	Assumed Earnings	Pension (1/60th of Earnings)	Assumed RPI Inflation
Year 1	£15,000	£250.00	n/a
Year 2	£16,000	£266.66	3.0%
Year 3	£17,000	£283.33	2.5%
Year 4	£18,500	£308.33	2.4%
Year 5	£20,000	£333.33	2.7%

Table B – Career Averaged Pension 60ths

Pension	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	TOTAL
Year 1	£250	x 1.03	x 1.025	x 1.024	x 1.027	= £277.56
Year 2		£266.66	x 1.025	x 1.024	x 1.027	= £287.44
Year 3			£283.33	x 1.024	x 1.027	= £297.96
Year 4				£308.33	x 1.027	= £316.65
Year 5					£333.33	= £333.33
Pension on retirement at the end of year 5						£1,512.94

In this example, the total pension would be £3,083.33 + £1,512.94 = £4,596.27 a year.

Who looks after the Scheme?

The day-to-day administration is entrusted to The Pensions Trust which has been administering pension schemes since 1946. The Pensions Trust is directly answerable to its members – the employers who choose its pension schemes and the active members, pensioners and deferred members who belong to these schemes. The Pensions Trust is **not** an insurance company.

Scheme registration

The Scheme is a registered pension scheme for the purposes of Part 4 of the Finance Act 2004. The Pension Scheme Tax Reference is 00281218RV.

Are there any restrictions on benefits?

At retirement, if the value of your benefits from all tax-registered schemes exceeds the Lifetime Allowance, tax charges will apply to the excess. It should be noted that both the Lifetime and Annual Allowances (see 'Definitions') are only likely to affect those with very high earnings and/or significant pension benefits held elsewhere. For example, if your pensions from all tax-registered schemes do not exceed £60,000 a year, you are unlikely to be affected.

Arthritis Care has taken the decision to retain an earnings cap from 6 April 2006, although this is no longer a legal requirement. This is the maximum amount of pay on which contributions will be deducted in any tax year. It is also the maximum figure which will be used when calculating pension benefits under the Scheme Rules. The figure is £123,600 for the tax year 2010/11 and will be reviewed each year.

Can I assign my pension?

No, except where permitted by law on divorce or dissolution of a civil partnership, you cannot sign away your pension rights, even temporarily, for example as security for a loan.

The Trustee Company

The Pensions Trust is governed by a Trustee Company called 'Verity Trustees Limited'. There are currently 14 Directors of the Company (all non-executive) – six elected by members and six elected by employers and two co-opted by the elected Directors.

Investments are managed independently by external authorised fund managers. Investment performance is reviewed regularly by the Trust's Investment Committee.

The State Pension Scheme and contracting-out

The State provides pensions on two levels:

- the basic State Pension; and
- the additional State Pension.

The Age Concern publication 'Your Rights' (or any suitable alternative), which is updated each year, explains the State Pension. The Pensions Trust automatically sends a copy to you when you retire.

Basic State Pension

The basic State Pension is a flat rate pension and is based on your National Insurance contributions. It is currently payable from age 65, except that a lower age applies to women born before 6 April 1955.

State pension age will increase to 66 in 2026, to 67 in 2036 and to 68 in 2046.

Your entitlement to this pension is not affected in any way by your membership of the Scheme.

Additional State Pension

Before April 2002 the additional State Pension was known the State Earnings Related Pension Scheme (SERPS).

From April 2002 it became the State Second Pension (S2P).

Contracting-out

Closed Section Members

Your employment is not contracted-out and you will therefore continue to accrue the full State Second Pension during your membership (unless you have chosen to contract-out through a personal pension plan).

Open Section Members

As a member of the Scheme your employment is contracted-out of the State Second Pension and as a result you will pay lower National Insurance contributions. This means that you do not accrue the full State Second Pension during the period you contribute to the Scheme.

The minimum level of pension to be provided by contracted-out schemes is determined by a statutory 'Reference Scheme' test.

For pensionable service before April 1997, a Guaranteed Minimum Pension (GMP) has to be provided (see 'Definitions').

Pension Tracing Service

Details of The Pensions Trust (and all pension schemes) have been lodged with the Pension Tracing Service and the address is:

Pension Tracing Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA
Telephone: 0845 600 2537
Reference: 10170418

The purpose of this registration is to help individuals trace their pension rights.

Rights, obligations and limitations

The rights and obligations of members of the Arthritis Care Final Salary Pension Scheme are set out in the Trust Deed and Rules and the Scheme Document which are the formal documents of the Scheme. This booklet is intended to provide a clear and simple explanation of the main benefits you are entitled to under the Scheme.

If there is any conflict between the interpretation given in this booklet and the formal Trust Deed and Rules, or the Scheme Document, the legal interpretation of the formal documents will prevail. Copies of the Trust Deed and Rules and Scheme Document are available from The Pensions Trust.

Before making any financial commitment on the basis of any information provided, please contact The Pensions Trust for final confirmation of the expected level of benefits. Staff will be pleased to provide any further information or assistance you may need.

The Pensions Trust is not registered under the Financial Services and Markets Act to give financial advice. Any information that is provided to members or prospective members should therefore be taken to constitute information and not to be taken to constitute advice. When providing information to members or prospective members, the Trust takes care to provide an accurate service but the decision and choice remains the individual's for which The Pensions Trust cannot be responsible.

Data Protection Act 1998

The Act is designed to give individuals rights and protection in request of the use of personal data concerning them.

- Data Controller: the Trustee is the data controller for the purposes of the Act.
- Use of personal data: the data provided by individuals or their employers, or obtained with the consent of individuals, will be used by The Pensions Trust, its Actuary and any necessary third parties are required to enable the Trustee to properly administer the Scheme. Data will be held for as long as necessary to allow the Trustee to answer questions relating to members' benefits.

The Trustee takes appropriate measures to ensure that your personal data is held securely.

Annual Report & Financial Statements

Members receive a summarised version of The Pensions Trust's Annual Report and Accounts each year, but are entitled to the full version on request. A copy can be viewed on the Trust's website www.thepensionstrust.org.uk under the 'General Literature' section of the 'Document Library'.

Termination

While Arthritis Care intends to continue the Scheme indefinitely it reserves the right to amend or discontinue the whole, or part of it at any time.

However, no amendment will be made which will reduce the benefits you have built up to the date of the amendment.

The Pension Protection Fund (PPF)

The PPF is a fund designed to protect members' rights under company defined pension schemes should the employer become insolvent.

The PPF will be funded by a levy on company pension schemes that are potentially eligible to benefit from it. The levy on the Scheme will not result in a reduction to your pension.

Benefits payable under the PPF are, briefly, as follows:

- your full pension if you have reached your scheme's Normal Pension Age or receive an ill-health pension (regardless of your age);
- 90% of the expected scheme pension for all other members, subject to a current (2010/11) maximum of £29,748.00 a year at age 65. This maximum figure is reduced actuarially for those under age 65;
- widow/ers', civil partners' or survivors' pensions of 50% of the members' pensions; and
- pension earned from 6th April 1997 will increase each year in line with the Index up to a maximum of 2.5%. Pension relating to service before 6th April 1997 will not be increased under the PPF.

In general, benefits will be paid from the PPF, as opposed to your own scheme, when:

- Arthritis Care becomes insolvent, or in circumstances where the Trustee or The Pensions Regulator consider this likely; and
- the assets of the pension scheme are insufficient, i.e. there is not enough money to pay at least the level of pension described above.

Complaints

If you have a problem or complaint in connection with your pension, we recommend that you initially discuss this with your usual contact at The Pensions Trust. If they are unable to resolve the matter you may find it helpful to speak to the Pensions Administration Manager and/or the Head of Customer Services.

If your complaint cannot be resolved informally and you remain dissatisfied you may at any time follow the formal complaints procedure; this has two stages and is summarised below.

Disputes – Formal Resolution

If you remain dissatisfied, you may request (in writing) a formal resolution from the Chief Executive. A decision should be provided within two months of your formal request.

Appeal

If you remain unhappy or disagree with the formal resolution from the Chief Executive, within six months of the decision you have the right to appeal to the Trustee. The result of your appeal should be provided within two months of your request.

The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with difficulties they have failed to resolve.

The address is:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB
Telephone: 0845 601 2923
Fax: 020 7233 8016
Email: enquiries@pensionsadvisoryservice.org.uk

Pensions Ombudsman

The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to the Scheme where TPAS has not resolved the issue. The address is:

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB
Telephone: 020 7834 9144
Fax: 020 7821 0065
Email: enquiries@pensions-ombudsman.org.uk

The Pensions Regulator (TPR)

The Pensions Regulator is able to intervene in the Scheme administration where Trustee, employers or professional advisers have failed in their duties. It replaces the previous regulator, the Occupational Pensions Regulatory Authority (Opra), which ceased to exist on 6 April 2005. The Pensions Regulator inherited all the previous powers held by Opra along with some new ones to give it wider scope. The address is:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW
Telephone: 0870 606 3636
Fax: 0870 241 1144
Email: customersupport@thepensionsregulator.gov.uk

Definitions

Additional Voluntary Contributions (AVCs)

is the name given to any contributions you pay above your 'normal' contributions to the Scheme.

Annual Allowance

The Annual Allowance is £255,000 per year until the end of the 2015/16 tax year. However, if you earn £130,000 or more and you are considering making additional payments, further restrictions may apply. Please contact The Pensions Trust if this affects you.

If the amount by which the value of your pension benefits increase in any one year (known as the 'input value' explained below) exceeds the Annual Allowance, you will be liable for an 'Annual Allowance tax charge', even if your contributions are less than 100% of your earnings. This tax charge is payable (through self-assessment) at 40% on any increase in benefits above the Annual Allowance.

In defined benefit schemes (such as Final Salary or CARE Schemes), the input value is measured by the increase in the value of the pension over the year. The input value is calculated as the increase in the annual pension amount multiplied by ten.

The input value doesn't take into account of transfers into the Scheme or debits or credits from pension sharing arrangements following divorce.

You will be responsible for reporting any excess growth on your annual self-assessment tax return and also for paying the Annual Allowance tax charge. If you are concerned about this we recommend that you seek independent financial advice. The Trust will, on request, supply you with information on the increase in the value of any pension rights held with us.

The input value in the final tax year before your retirement will not count towards the Annual Allowance, as long as you have drawn all benefits in full from the Scheme or if you should die.

Benefits

are the pensions and other payments made to members and their dependants on retirement, death and after leaving the Scheme.

Closed Section Member

an employee who joined the Scheme prior to 1 August 1997 and did not transfer to be an Open Section Member. The employment of Closed Scheme Members is not contracted-out by reference to the Scheme.

Deferred Pension

is the pension secured for you on leaving the Scheme and is payable on retirement.

Exit Date

means the latest date on which you are treated under the Rules as being an active member of the Scheme - normally the date of leaving the Scheme, retirement or death.

Final Pensionable Earnings (FPE)

is the highest yearly average of any three years' pensionable salaries in the ten years prior to Normal Pension Age or earlier date of leaving.

For members who were in the Previous Scheme as at 31 July 1997, the definition of Final Pensionable Earnings may be different. This will ensure that these members are no worse off than they would have been in the Previous Scheme. See 'What if...' section of this booklet if this applies to you.

For high earners pensionable earnings will be restricted to a notional earnings cap; see 'Are there any restrictions on benefits?' on page 21 for further details.

Guaranteed Minimum Pension (GMP) (for Open Section Members only)

is that part of your pension, or your legal spouse's or civil partner's pension, which represents the equivalent of the State Earnings Related Pension Scheme (SERPS), for pensionable service before 6 April 1997. The Scheme pays a GMP to you during retirement, or your legal spouse or civil partner on your death, as part of the Scheme pension, to replace the State Earnings Related Pension. See also page 22.

Index

is the Retail Prices Index (RPI), or any replacement index prescribed as the measure of price inflation.

Lifetime Allowance

Each individual in the UK is allowed to accumulate pension benefits valued up to £1.8 million without incurring any tax charge. This allowance is fixed until the end of the 2015/16 tax year.

Each year your Benefit Statement will show the value of the pension benefits you have accrued as a percentage of the current Lifetime Allowance. You must also take into account the value of any pension benefits you have from previous pension arrangements in estimating whether you have scope to pay AVCs without any danger of breaching the Lifetime Allowance.

If the Lifetime Allowance is exceeded a tax charge of 55% will be levied on the excess fund if the benefits are taken as a lump sum. If the excess benefits are taken as pension then a tax charge of 25% will be levied, as well as the usual income tax payable on the pension instalments.

If you are concerned that your benefits from all sources may breach the Lifetime Allowance you should consult an Independent Financial Adviser (IFA) as to your best course of action.

Note: The Pensions Trust and its representatives are not permitted to give financial advice.

Limited Price Indexation (LPI)

is a requirement under the Pensions Act 1995 to pay specified increases on pensions in payment. For pension accrued from 6 April 2005, LPI is defined as the rise in the Index, up to a maximum of 2.5%. For pension which was earned between 6 April 1997 and 5 April 2005, LPI is the rise in the Index, capped at 5%.

Normal Pension Age (NPA)

is age 65 for scheme benefits. Your contract of employment may specify a different retirement age.

Open Section Member

An employee who joined the Scheme on or after 1 August 1997 or, if before then, who transferred to the Open Section. The employment of Open Section Members is contracted-out by reference to the Scheme.

Pensionable Earnings

is your basic annual salary for your normal working hours (i.e. excluding overtime and London weighting). For high earners pensionable earnings will be restricted to a notional earnings cap; see 'Are there any restrictions on benefits?' on page 21 for further details.

Pensionable Service

is your period of membership in the Scheme before 1 January 2008 (in years and completed months). It will include any additional pensionable service you may have been granted as a result of transferring the value of benefits from a previous pension arrangement into the Scheme.

Previous Scheme

means the Arthritis Care Retirement and Death Benefit Scheme (established 1 January 1976).

Protected Pension Age

Members who joined the Scheme before 6 April 2006 have a 'Protected Pension Age' of 50. This will allow these members to retire from age 50 after 5 April 2010, but if they retire before age 55 they will be required to leave the employment to which the pension relates.

Reference Scheme Test (*for Open Section Members only*)

To contract-out of the additional State Pension Scheme, from 6 April 1997 the Scheme must provide benefits at least equal to the Reference Scheme (as defined by legislation for contracting-out purposes). See also page 22.

Revaluation

means the percentage increase in the Index, capped at 5%, in the year up to the Revaluation Date.

Revaluation Date

means 1 January each year.

Revalued Career Earnings

- earnings from the latest January up to Exit date; plus
- earnings for the 12 months before that January; plus
- previous accumulated revalued earnings.

Revalued Earnings

Earnings in one scheme year are revalued in line with inflation (capped at 5%) in subsequent scheme years, according to the Rules, for the purpose of calculating your pension. For example, your earnings/pension in scheme year one will be revalued at the end of scheme year two. A detailed example is given in 'Further Information' in this booklet.

Scheme Year

means for the purpose of revaluation, the year from 1 January to 31 December.

The Scheme

is the Arthritis Care Pension Scheme with The Pensions Trust.

These definitions are provided as a summary. Please see the formal Trust Deed and Rules , as appropriate, for further clarification.



The Pensions Trust

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