



BCSSS

Members' fact sheet
For members of the British Coal Staff Superannuation Scheme

The Levelling Option

The levelling option

This fact sheet is for you if you are a BCSSS deferred pensioner with an entitlement to take the levelling option. It explains what the levelling option is and the issues to consider in deciding whether to take it.

Normally this fact sheet is sent to members eligible to take the option shortly before their pension is due to start. The letter accompanying the fact sheet from the Scheme's administration office explains the BCSSS benefits payable and the options available. The letter tells you the amounts of the levelling option addition and the levelling option deduction that will apply to you if you take the option.

Eligibility for the option

You will be eligible for the option unless:

- your State Pension Age is greater than 65;
- you are retiring early with reduced benefits from the BCSSS;
- you are retiring with ill health retirement benefits from the BCSSS;
- you are a woman with a State Pension Age of 60 and your BCSSS pension will be paid from age 60;
- taking it would mean that from State Pension Age your BCSSS pension was projected to be less than your Guaranteed Minimum Pension (GMP) – the minimum amount the Scheme must by law pay from State Pension Age.

The levelling option – should you take it?

The levelling option aims to help even out your retirement income by taking account of the expectation that you will receive the full single person basic State Pension from State Pension Age (SPA) (see *later note on basic State pension*). It is intended for people who would like more cash from the BCSSS before their State Pension starts, in return for a reduction in their BCSSS pension from SPA.

Basic State Pension is currently not paid until age 65 for men and age 60 for women. However, the SPA for women will rise gradually from age 60 to 65 from 2010 to 2020, making it equal to that of men. This means that SPA for both men and women will be 65 from 6 April 2020. The SPA for both men and women will then increase from 65 to 68 between the years 2024 and 2046. So for most members there will be a

gap between the date their BCSSS pension starts and the date State Pension starts. For some members eligible to take the levelling option, it can provide a useful boost to their income during this period. **It is important to note that as a result of legislation the levelling option is not available to those members with a State Pension Age greater than 65.**

Whether you should take the option is for you to judge. Each individual's circumstances and priorities are different and there are advantages and disadvantages in taking the option. Your decision will be irrevocable so it is important to give it very careful consideration. This fact sheet will help you make a decision. It does not constitute financial advice.

How does the levelling option work?

If you take the option you will receive a fixed additional sum on top of your BCSSS pension until you reach SPA. From SPA, the addition stops and a fixed amount is deducted from your BCSSS pension until age 80.

The annual amounts of levelling option addition and deduction are each expressed as a proportion of the single person basic State Pension at the rate payable in the year your BCSSS pension starts. When added together they are equal to the State Pension. The proportion paid as an addition increases on a sliding scale depending on your age at the date your BCSSS pension starts, and the amount of the deduction

correspondingly decreases. So, the levelling option addition will be bigger, and the levelling option deduction correspondingly smaller, for someone taking their BCSSS pension at age 60, than for someone taking it at age 50. There are different scale rates for men and women.

The table below gives an example of how the option works for men taking the option at different ages whose SPA is age 65. Please note that this is for illustrative purposes only and that it uses the rate of basic State pension for 2008. The BCSSS administration office will notify you by personal letter of the rates that apply to you.

	BCSSS pension starts at 50 in April 2008 £ per year	BCSSS pension starts at 60 in April 2008 £ per year
Single person State basic pension 2008	4,716.40	4,716.40
Levelling option proportion of State basic pension		
• addition	28.5%	61.9%
• deduction	71.5%	38.1%
Levelling option addition paid for	15 years	5 years
Income before SPA		
Scheme pension	5,000.00	5,000.00
Levelling option addition	1,344.17	2,919.45
Total	6,344.17	7,919.45
Income after SPA until age 80		
Scheme pension	5,000.00	5,000.00
Less levelling option deduction	(3,372.23)	(1,796.95)
Plus single person basic State pension	4,716.40	4,716.40
Total	6,344.17	7,919.45
Income from age 80 (when levelling option deduction stops)		
Scheme pension	5,000.00	5,000.00
Plus single person basic State pension	4,716.40	4,716.40
Total	9,716.40	9,716.40

No pension increases have been included in this example, in practice, both the Scheme pension and State Pension would have increased each year between retirement and State Pension Age in line with the Retail Prices Index (RPI).

What else do I need to know about the option?

- The amounts of the levelling option addition and deduction are fixed at the date pension starts, they do not increase in line with increases in the RPI.
- The levelling option is ignored for the purpose of calculating the annual RPI increases paid by the BCSSS so you receive the same amount of RPI increase whether or not you take the option.
- Taking the levelling option does not change the amount of any benefits paid by the Scheme to your dependants in the event of your death – so neither the levelling option addition nor the deduction transfers to your spouse (or any other dependant) on your death.
- Taking the levelling option has no effect on the size of bonus pensions awarded from valuation surpluses.
- Taking the levelling option does not affect your State Pension.
- Taking the levelling option will affect your income tax position.
- The levelling option addition cannot be exchanged for a cash lump sum.

Basic State pension – will you receive the full amount?

The levelling option is based on the assumption that you will be eligible to receive the **full** rate of the single person's basic State pension. This is, of course, dependent upon your National Insurance contribution record. To get a full basic State Pension, men born before 6 April 1945 need 44 qualifying years and women born before 6 April 1950 need 39 qualifying years. Both men and women who reach SPA on or after 6 April 2010 need 30 qualifying years. Qualifying years are the years in which you have been paying or treated as paying National Insurance contributions. In certain

circumstances, you can be credited with National Insurance contributions if you have been unable to do paid work.

If you are unsure as to the amount of basic State pension you can expect to receive, you should obtain a forecast from the Department for Work and Pensions **before** making your decision. Otherwise you may receive less total income than you were expecting once your basic State Pension starts. There is a note on how to get a State Pension forecast later in this fact sheet.



Do you need the extra money before State Pension Age?

The answer to this question will very much depend on your personal circumstances.

- How much do you need the extra money? Do you have expenses to meet before rather than after SPA? Do you have other sources of income? If you are working now you will have less income later when you retire and you may feel it is better not to take the option. You may of course decide that you would rather have the additional income when you are active, than later on.
- For younger members the levelling option addition is relatively modest, you need to think carefully about the benefit you will get from this compared to the reduction in pension that will apply from SPA.
- What is your personal tax position? Taking the option will increase your taxable income before you reach SPA, and reduce it afterwards – but remember that State Pension is taxable.
- Do you receive, or expect to receive, any means tested State benefits? The levelling option addition will count as income for the purpose of assessing any entitlement to means tested State benefits.

Are the levelling option terms fair?

The amounts of addition and deduction are calculated by the Scheme's Actuary with the intention of operating across all members on a "cost neutral" basis. This means the Scheme should make neither a gain nor a loss by making the option available. The deduction may appear expensive, but it reflects the cost to the Scheme of making the additional payments. This includes the cost of bringing forward pension payments and the investment returns lost as a consequence of doing that. The cost of recouping the additional payments made to members who die before or shortly after SPA is reflected in the rates set for the levelling option deduction; so the cost is met by those who take the option and enjoy longer life.

When does State Pension start?

At the moment, men get their State Pension at age 65, while women get theirs at age 60. Women's SPA will be increased gradually from age 60 to age 65 between the years 2010 and 2020.

- Women born before 6 April 1950 will not be affected, they will still be able to get their State Pension at age 60.
- SPA for women born between 6 April 1950 and 5 April 1955 is on a scale between age 60 and age 65 depending on their date of birth.
- SPA for men and women will increase from 65 to 68 between the years 2024 and 2046.

If you are unsure when you will receive your State Pension then please see the note overleaf on obtaining a State Pension forecast.

How to get a State Pension forecast

You can get a State Pension forecast application:

by writing to:

**Future Pension Centre
The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA**

by telephoning the Future Pension Centre on
0845 3000168, 8.00am to 8.00pm Monday to Friday
and Saturday 9.00am to 1.00pm

by visiting the Pension Service website
www.thepensionsservice.gov.uk

from your local Pension Service pension centre or
Social Security office.

Note: The Pension Service is a Government service operated by the Department for Work and Pensions.

Additional Information from the BCSSS

If you require any further information regarding the levelling option, or have any query regarding your BCSSS pension, please contact the Scheme's administration office:

Address

The Administration Office
BCSSS
5th Floor
The Fountain Precinct
Balm Green
Sheffield
S1 1JA

Telephone (UK local numbers)

Surname A-J **0845 6090012**
K-Z **0845 6090013**

Telephone (abroad standard charge numbers)

Surname A-J **(+44) 114 203 4613**
K-Z **(+44) 114 203 4629**

E-mail

bcsss.enquiries@aonconsulting.co.uk

Please remember to quote your **National Insurance Number/Scheme Membership Number**.