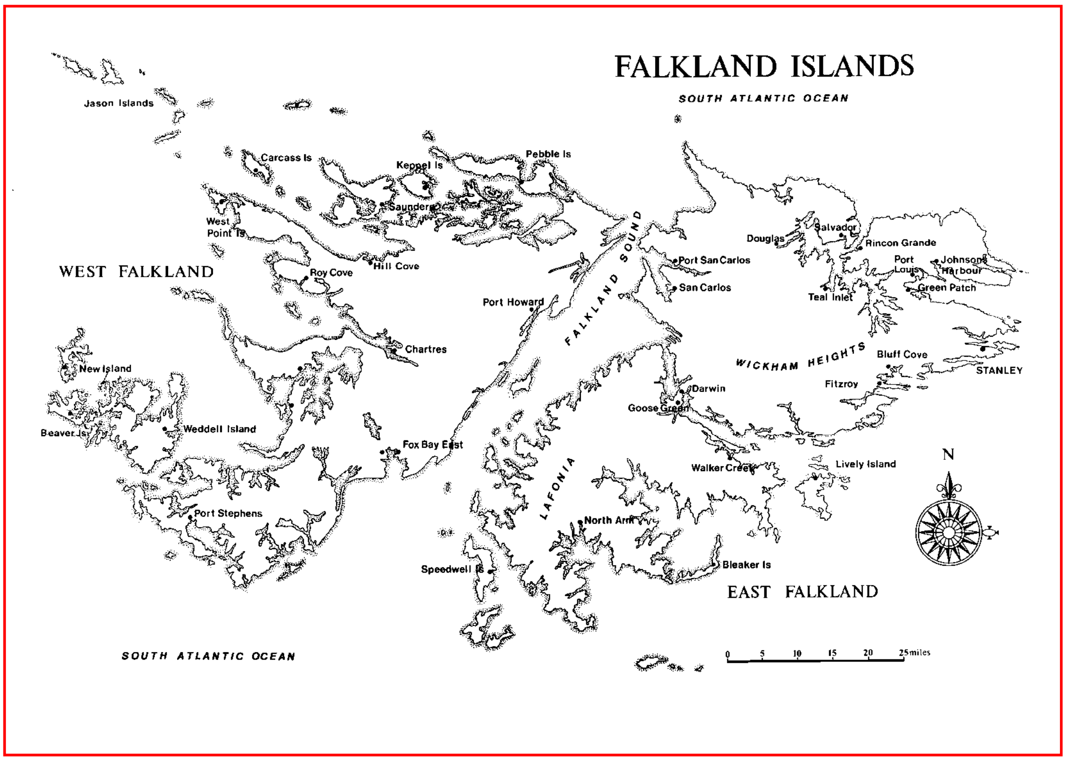
The Falkland Islands Pensions Scheme



Explanatory Booklet

Contents

I

INTRODUCTION

This booklet is your guide to the Falkland Islands Pension Scheme (the Scheme). The Scheme can provide a range of benefits including a pension for life when you reach retirement age and benefits for your spouse and dependants on your death. It also gives you options to move between employers within the Falkland Islands, to pay extra contributions to increase the amount of your benefits, to defer payment of your pension until age 75 if your normal retirement age is earlier and to take a reduced pension in return for a maximum 25% tax-free lump sum at retirement. The Scheme also offers "portability", allowing members to transfer existing pension funds into the Scheme, and to transfer their pension funds out of the Scheme into other pension schemes offering similar benefits.

The Scheme is known as a "defined contribution" scheme or a "money purchase" scheme. This means that contributions are based on a percentage of salary and these contributions are paid into a fund along with contributions from other members of the Scheme. This fund is managed by the Pensions Board (the Board) and investment income is credited to the Individual Accounts of all members in proportion to the size of their individual funds within the Scheme. The total of a member's Individual Account is used at retirement to purchase the pension and provide the optional lump sum.

For Falkland Islands Government (Government) employees the Scheme

- *is non-contributory in respect of staff employed before 1 July 2005, in that the Government makes the contributions on behalf of its employees without making any deductions from salary;*
- *requires all new entrants to Government service appointed from 1 July 2005 to contribute 5% of basic pensionable salary to the Falkland Islands Pensions Scheme. FIG will make contributions on the employee's behalf at the rate of 10% of basic pensionable salary.*
- *provides death benefit (a form of life assurance cover) during service;*
- *is the successor to the Established and Unestablished pension arrangements that were previously in force. (The provisions of these previous arrangements no longer apply to employees who opted for the new employment package with effect from 1 January 1997. These arrangements were known as "defined benefit" schemes as the benefits (pension etc.) were related to the length of service and final salary of the member).*

Note: throughout this booklet those provisions which apply to Government employee members are shown in *italics.*

The Scheme is approved by the Commissioner of Taxation as an approved Scheme under the Taxes Ordinance 1997 that allows members to take advantage of the tax concessions available to such Schemes.

The aim of this booklet is to provide you with a simple guide to the Scheme and its benefits. The use of technical terms has been kept to a minimum but it is impossible to avoid them altogether and you will find these technical terms defined in Chapter II.

This booklet is produced to help you understand the Scheme and is not the official or legal authority for it. The Scheme is constituted by the Falkland Islands Pensions Scheme Ordinance 1997 as amended (the Ordinance) and associated Regulations which may be inspected at the Treasury by contacting the Pensions Officer. In the event of any discrepancy between this booklet and the Ordinance and Regulations, the latter will prevail. References to the relevant sections to the Ordinance are quoted, for example membership of the Board is Section 5. No specific references are made in this booklet to any Regulations made under the provisions of the Ordinance.

The Pensions Officer, located at the Treasury, can provide you with additional information or help to answer any questions you may have after reading this booklet.

II

DEFINITIONS

Some technical and terms with special meanings used in this booklet:

Individual Account **Section 24**	Each member of the Scheme will have an Individual Account into which your contributions will be paid. This will be invested, along with all the other members' Individual Accounts and the appropriate portion of the investment earnings credited to your Individual Account. The value of your Individual Account will be available at retirement to provide your retirement benefits.
Additional Voluntary Contributions (AVCs) **Section 22**	If you are a member of the Scheme as an employee but wish to make extra contributions over and above the normal contributions made by you and/or your employer, then these extra contributions are called Additional Voluntary Contributions (AVCs).
Annuity **Section 31**	This is the technical term for the pension bought from an annuity provider (such as an insurance company) with your Individual Account. It is a payment for the rest of your life. It is normally paid monthly but can be quarterly or even annually. The amount of your pension depends on many factors, some of which you decide, including whether you take a tax-free lump sum in return for a reduced pension, but it also depends on the annuity rates at the time you purchase your pension. See Chapter V of this booklet.
Child **Section 31(12)**	Child means a child of the member who is under age 18.
Dependant **Section 31(12)**	Dependant means a child of the member who is under age 18; or any other person who is unable by reason

of any physical or mental disability or illness to maintain themselves to any extent, and who is to any extent financially dependent upon the member and is likely to remain dependant for at least five years.

Normal Retirement Age
Section 3

Normal retirement age is a matter that should be set out in the terms and conditions for employees by their employers.

If there is no provision made for retirement age in a member's terms of employment or if a member is self-employed or not in employment then the Ordinance treats their normal retirement age as 60.

If the Normal Retirement Age is over age 75 then the date of retirement will be taken as the date of the 75th birthday.

If the Normal Retirement Age is less than age 50 then the date of retirement will be taken as the date of the 50th birthday.

Government employees are allowed to retire from age 50 but Normal Retirement Age is 64. The Management Code (Chapter 9, Paragraph 4) deals with the procedure for retirement.

Ordinance

The Ordinance means the Falkland Islands Pensions Scheme Ordinance 1997 as amended and where appropriate any Regulations made under that Ordinance.

Pensionable Salary **Section 18**	Pensionable salary will be determined by employers. *For Government employees this is basic pay plus performance related bonuses. Overtime earnings are excluded.*
Pensions Board **Section 5**	The Pensions Board is constituted under the Falkland Islands Pensions Scheme Ordinance 1997 as amended. It is responsible for the administration and management of the Scheme and to ensure the Scheme is run properly in accordance with the Ordinance and Regulations.
Regulations	Regulations mean any regulations made under the provisions of the Falkland Islands Pensions Scheme Ordinance 1997.
The Scheme	The Scheme means the pensions scheme set out in the Falkland Islands Pensions Scheme Ordinance 1997 as amended.
Spouse **Section 31 (11)**	Spouse means a person of the opposite sex who is ordinarily living with the member as the member's partner whether or not they are legally married.
Transfer Value **Section 23**	This is a technical term representing accrued rights or units for the amount transferred into or out of the Scheme on behalf of a member.

III

YOUR SCHEME BENEFITS IN SUMMARY

When you retire the following options are available to you

- a pension for the rest of your life using the whole of your Individual Account (Section 28(1)(b)); or

- a tax-free lump sum of up to 25% of your Individual Account plus a reduced pension for the rest of your life using the balance of your Individual Account (Section 28(1)(a) and (b)); or

- a pension for the rest of your life using not less than 75% of your Individual Account, deferring receipt of your tax-free lump sum to no later than age 75 (Section 28(4)); or

- a tax-free lump sum of up to 25% of your Individual Account, deferring receipt of your pension from your normal retirement age to no later than age 75 (Section 28(4)); or

- leave the whole of your Individual Account invested in the Scheme, and defer receipt of all benefits to no later than age 75 (Section 28(4)).

If you work for Government and you die before retirement the following amounts will be paid (Section 33 as amended):-

- *a tax-free lump sum of twice your Pensionable Salary;*

- *a pension to your spouse of one third of your Pensionable Salary;*

- *a pension for each of your children up to age 18, and other dependants for life or until their dependency ceases, of one-ninth of your Pensionable Salary;*

- *the value of all AVCs with accrued investment earnings attributable to them;*

- *any contributions paid into your Individual Account which are not attributable to your employment with Government (eg. a transfer value paid into the Scheme from another pension scheme, or contributions paid by a former employer before you entered Government service) with accrued investment earnings attributable to them.*

If you do not work for Government and you die before retirement, then unless your employer (or you, if self-employed or not in employment) have made arrangements with the Pensions Board for the payment of optional benefits under

Section 29, the value of your Individual Account will be paid by the Pensions Board either to the beneficiaries nominated by you on your Expression of Wish Form (but see Chapter VIII of this Booklet) or to your personal representatives.

On your death after retirement

If you are married or cohabiting when you purchase your pension your spouse will receive a reduced pension from your death until they die (Section 31(3)).

If you have any dependants when you purchase your pension, they will receive a reduced pension from your death (or from your spouse's death, if later) for life or until their dependency ceases (Section 31(4)).

The Scheme also allows you to

- pay Additional Voluntary Contributions to increase the amount of your benefits (Section 22);
- defer receipt of your pension and/or lump sum from your normal retirement age to age 75 (Section (28(4));
- change employers within the Islands and leave your Individual Account in the scheme, and continue to contribute to your Individual Account;
- transfer into the Scheme the transfer value of your accrued benefits from another pension scheme (Section 23(1)); and
- transfer your Individual Account to another pension scheme offering similar benefits to the Scheme (Section 23(2)).

IV

JOINING AND CONTRIBUTIONS

Joining the Scheme – Section 17

You can join the Scheme if you are an employee in the Falkland Islands, are self-employed in the Falkland Islands or not in employment but resident in the Falkland Islands. Employers are encouraged to join the Scheme, but if you are employed by an employer who does not wish to participate in the Scheme then you can still join. Government employees will generally be members of the Scheme.

Contributions

Contributions are normally set out in your terms and conditions of employment.

Your employer can, but is not obliged to, make a contribution on your behalf and can with your agreement make deductions from your salary (Sections 19 and 20).

If you are employed by an employer who does not wish to participate in the Scheme and you have decided to join as an individual you must decide on how much you wish to contribute (Section 21).

If you are self employed or not in employment you must decide on how much you wish to contribute (Section 21).

If you are employed by Government it will normally contribute 10% of your pensionable salary (Section 18) to the Scheme. In addition, from 1 July 2005 all new FIG employees are required to contribute 5% of their pensionable salary to the Scheme.

However special arrangements are in place for all staff who were employed, and aged 25 or over, on 31 December 1996 and continue their employment with Government.

If you are not eligible to join the Scheme for pension benefits, Government will not pay contributions on your behalf to any other pension scheme or savings arrangement. Government may not pay contributions for you if you are seconded to another employer (Section 18(3)).

V

RETIREMENT BENEFITS

Your Individual Account

Contributions from you and/or your employer together with any AVCs will be credited to your Individual Account and then invested on your behalf - so your Individual Account will grow each month as more contributions are paid and the investments grow in value (Section 6).

How much will your Individual Account be worth when you retire?

The value of your Individual Account will depend upon: -

- The amount of contributions paid into your account, and
- The investment earnings on your money in the account.

Every year you will receive a statement that will provide you with details of the current value of your Individual Account (Section 25).

What happens when you reach Normal Retirement Age?

If you wish to receive pension benefits when you reach **Normal Retirement Age** the money in your Individual Account can be used in the following ways: -

- to purchase a full pension; or
- partly paid to you as a tax-free lump sum with the balance used to purchase a reduced pension; or
- to purchase a pension and defer receipt of the tax-free lump sum to no later than age 75; or
- partly paid to you as a tax-free lump sum with the purchase of a pension deferred to no later than age 75; or
- leave the whole of your Individual Account invested in the Scheme and defer receipt of all benefits until not later than age 75.

The maximum amount of tax-free lump sum allowed is 25% of your Individual Account and you may choose whether to take all or part of this as a lump sum. The remainder of your Individual Account must be used to purchase a pension for you either at retirement or by age 75 (Section 28).

How much pension will you receive?

The amount of the pension you receive will depend upon: -

- The value of your Individual Account at the time you purchase your annuity.

- What tax free lump sum you have chosen to take (up to a maximum of 25%)

- The cost of buying a pension from an insurance company, which will depend on the annuity rates at the time you purchase your annuity. The annuity rates fluctuate depending upon interest rates.

- Your age upon retirement or when you draw benefits, if deferred.

- The age of your spouse and dependants (if any). Arrangements must be made for the provision of dependants benefits if you spouse dies after your death whilst the dependants are still dependant.

It will also depend on some of the decisions you make as to what should be included in your pension. The Scheme specifies some of the benefits that must be included in your pension. These are: -

- if you are married or cohabiting when you purchase your pension, it must provide for a spouse's pension of between 50-100% of the member's pension; the spouse's pension is payable for life from the date of your death if you die before your spouse (Section 31(3));
- minimum level of annual pension increases of 3% a year (Section 31(6));
- payment of the balance of 5 years pension payments if you die before the fifth anniversary of the date the pension commenced (Section 31(7));
- if you have any dependants when you purchase your pension, it must provide for a reduced pension to be paid to each of your dependants from your death (or from the spouse's death, if later) for life or until their dependency ceases (Section 31(4)).

When you are approaching retirement you will be told (Section 39): -

- how much your Individual Account is worth;

- how much pension it is estimated that it will buy; and

- the maximum amount that can be taken as a tax-free lump sum

You will need to make some choices, which affect your pension, and these are

- how much of your Individual Account to take as a tax-free lump sum, up to the maximum of 25%;
- whether you would like a pension which increases by more than 3% and if so by how much, for instance you may wish your pension to increase in line with the retail prices index;
- whether you want to increase your spouse's pension from the minimum of 50%.

The Pensions Officer will arrange for you to be given information to help you come to a decision.

In addition the Pensions Board will help you to select a competitive Insurance Company to secure your pension.

However the Pensions Officer and Board Members are unable to provide you with independent professional advice.

When the Benefits are Payable

A member's normal retirement age is usually by agreement with their employer, but if a retirement age has not been specified in their terms of employment (or if the member is self-employed or not in employment) then the Scheme provides for a normal retirement age of 60. For Government employees, it is age 64. You may also choose to retire, with your employer's agreement, at any time after you have reached age 75.

Contributions can continue to be made to your Individual Account until you take your pension benefits.

A member may elect to defer purchase of the pension or receipt of a lump sum, or both, from the time of retirement up to age 75 at which point all benefits must be taken (Section 28 (4)).

Commutation of Pension

A member may elect to receive, in place of a pension, a lump sum equal to the whole of the accrued value of their individual account if the value of their individual account (on the assumption that no lump sum is taken) is insufficient to fund the purchase of an annuity of £500 per annum (Section 28 as amended). 75% of this lump sum will be taxable.

VI

Leaving Before Normal Retirement Age

What happens if you leave before age 50?

If you leave an employer before retiring, your Individual Account will remain with the Scheme and will continue to be invested.

- If you take up employment with another employer you and/or your new employer will be able to make contributions to your individual Account.
- If you become self employed you can make further contributions to your Individual Account.
- If you are not in employment but still wish to make contributions you may do so.

In normal circumstances your benefits will not be paid until you reach age 50 or such later age as you choose to receive your benefits provided this is no later than age 75.

Retiring on or after age 50 but before normal retirement age.

If you wish to take early retirement, with the agreement of your employer, which is after age 50, but before your normal retirement age, you may use the money from your Individual Account to retire on pension*.* The calculation of the tax-free lump sum and pension is exactly the same as for those who retire at a later age - but of course the benefits usually will be less (subject to investment returns and annuity rates) because:-

- pensions cost more to buy the younger you are as the pension provider expects that the pension will be payable for a longer period;
- less money will have been paid into your Individual Account than would have been if contributions had continued up to normal retirement age; and
- the money in your Individual Account will have been invested for a shorter period and therefore the investment returns would be less than they would otherwise have been.

When you have decided to retire, shortly before you do so (say 3 months) please contact the Pensions Officer who will arrange for figures to be prepared showing you how much is in your Individual Account and the amount of pension you can expect to receive.

If you leave the Falkland Islands you may transfer the money in your Individual Account to another approved pension scheme, providing the receiving scheme is willing to accept the transfer. If you do retire early please note that you may still elect to defer the receipt of benefits as explained on page 13.

VII

Retirement After Normal Retirement Age

If, with the agreement of your employer, you decide to continue in employment after your normal retirement age, then contributions may continue to be paid into your Individual Account until you eventually decide to retire which must be on or before your 75th birthday.

When you do retire the benefits will be calculated in exactly the same way as for retirement at an earlier age, but the value of your benefits should increase (subject to investment returns and annuity rates) because: -

- more money will have been paid into your Individual Account;
- the money in your Individual Account may have grown with further investment returns;
- pensions normally cost less the older you are.

When you have decided to retire, shortly before you do so (say 3 months) please contact the Pensions Officer who will arrange for figures to be prepared showing you how much is in your Individual Account and the amount of pension you can expect to receive.

When you do retire at any time before your 75th birthday please note that you may elect to defer the receipt of benefits as explained in Chapter V. You may, if you so wish, choose to take only part of your pension benefits and leave the rest invested.

VIII

DEATH BENEFITS

Benefits Payable to Government Employees (Section 33 as amended)

If you die while employed by Government, the following benefits are payable:-

- *a tax-free lump sum equal to twice your Pensionable Salary;*
- *a pension to your spouse equal to one third of your Pensionable Salary;*
- *a pension for each of your children up to age 18, and other dependants for life or until their dependency ceases, equal to one ninth of your Pensionable Salary;*
- *the value of all AVCs with accrued investment earnings attributable to them;*
- *any contributions paid into your Individual Account which are not attributable to your employment with Government (eg. a transfer value paid into the Scheme from another pension scheme, or contributions paid by a former employer before you entered Government service) with accrued investment earnings attributable to them.*

A pension for a child under age 18 is payable until their 18th birthday in respect of:-

- *any child of your own, whether through your current or previous marriages, or born outside of marriage, including adopted children.*

A pension for a dependant is payable for life, or until their dependency ceases, in respect of:-

- *any person who in the opinion of the Pensions Board is unable by reason of any physical or mental disability or illness to maintain themselves to any extent, and was to any extent financially dependant on the member at the time of their death, and might reasonably regarded as having been likely to remain so dependant for at least 5 years (assuming the member had not died);*
- *this would include any child of your partner by a previous relationship if they are financially supported by you.*

A pension payable in respect of a child or other dependant will be paid to:-

- *to a parent or legal guardian for children under age 18;*
- *direct to other dependants age 18 or over unless they are incapable of managing their financial affairs;*

- *to a trust created for any child under age 18 who has no parent or legal guardian, or to a trust created for any other dependant who is incapable of managing their financial affairs and for whom no guardianship arrangements of any kind are in place.*

Pensions payable to spouses, children and dependants are increased each year at 3% per annum. The benefits are based on the Pensionable Salary payable at the date of death.

Benefits Payable to Members not in Government employment

If you do not work for Government, and you die before retirement, then unless your employer (or you, if self-employed or not in employment) have made arrangements with the Pensions Board for the payment of optional benefits under section 29, the value of your Individual Account will be paid by the Pensions Board either to the beneficiaries nominated by you on your Expression of Wish Form (but see below) or to your personal representatives.

Nominating Beneficiaries (applicable to <u>all</u> members)

On joining the Scheme you should complete an Expression of Wish Form. This form tells the Pensions Board to whom you would want the death benefits paid in the event of your death. The Pensions Board will of course be guided by your wishes but they are not bound to follow them - the final decision rests with the Pensions Board. In the vast majority of cases it would be expected that the Pensions Board would pay benefits exactly as indicated by the Expression of Wish Form. This way of dealing with the payment of the death benefit is used because:-

- it means that if a member forgets to change the Expression of Wish Form following a change in personal circumstances, the Pensions Board are able to pay the benefits to the appropriate dependant; and
- in the rare event of a member not completing the form in favour of someone who is financially dependent upon the member, the Trustees are nevertheless able to consider helping such a person financially.

It is important that you complete the Expression of Wish Form so that the Pensions Board is aware of your wishes and because it will speed up payment of the benefits.

If you have not already completed an Expression of Wish Form you should do so - a copy of the form is attached as Appendix I to this booklet. Remember, if your personal circumstances change you may need to complete a new Expression of Wish Form. You are strongly advised to complete a new form each time your personal circumstances change.

IX

ILL HEALTH OR DISABILITY BENEFITS

Benefits Payable to Government employees

If you retire on the grounds of ill-health or disability, you are entitled to certain benefits if:-

- *you are a member of the Scheme, and*
- *you have more than two years continuous service with Government, and*
- *the Chief Medical Officer has issued an early retirement certificate confirming that you are permanently incapable of carrying out the duties of any employment in Government due to ill-health or disability, and*
- *the Chief Medical Officer has recommended ill-health retirement.*

The benefits you are entitled to receive vary depending on whether your employment start date was before or after 1 January 1997.

Any Social Welfare benefits to which you may otherwise be entitled will be subject to review to take into account any benefits which you receive under the following provisions.

1. Government employees with a start date before 1 January 1997

Government will pay you a benefit equivalent to two-thirds of the Pensionable Salary you were receiving before your absence until you reach normal retirement age. Your benefit will increase each year in line with any cost of living award to Government employees.

How your Pension is Affected

Your Individual Account will continue to accumulate while you are ill or injured as follows: -

- ***Government Contributions** - your pension is fully protected. Government will continue to pay contributions to your Individual Account based on the Pensionable Salary you were receiving before you became unable to work, increased each year in line with any cost of living award to Government employees.*

- ***Retirement Pension -** Government will continue to arrange the deduction and payment of your Retirement Pension contributions as though you were still in receipt of salary and so your entitlement to this pension will continue to accrue.*

How your Death Benefits are Affected

You will continue to be covered for your full death benefits, based on the Pensionable Salary you were receiving before your absence, increased each year in line with any cost of living award to Government employees.

Abatement of Benefits

If you recover to the extent that you return to employment before normal retirement age, your ill-health benefit will be abated to the extent that your total earnings including the ill-health benefit exceed the current salary of the position you formerly occupied in Government service.

2. Government Employees with a start date after 31 December 1996 – Section 33A

You may choose between Option A – Pensions Old Scheme Fund (OSF) Benefits and Option B – Scheme Benefits (see below for details). The Pensions Officer will advise you what income you can expect to receive under each Option.

You must notify your choice of Option to the Pensions Board in writing within one year of the date of the Chief Medical Officer's early retirement certificate (see above). If you fail to notify your choice of Option to the Pensions Board, you will not be able to receive any benefits until you reach retirement age as explained in Chapter V.

Option (A) – OSF Benefits

You can surrender the money in your Individual Account attributable to Government service (ie. excluding amounts in your Individual Account attributable to additional voluntary contributions or to any employment otherwise than in Government service) to the OSF.

In return Government will pay you a pension for life calculated as:-
n / 80 x pensionable salary

where (for employees with at least 2 but less than 10 years of service)
n = number of years of service x 2

or (for employees with at least 10 years of service)
n = number of years of service + 10

But subject to a maximum of either 40 years of service or, if you are aged at least 54 at retirement, the number of years you would have been employed by the Government if you had continued in your current employment to age 64.

Your OSF pension will increase by at least 3% per annum.

Lump Sum

Up to one-quarter of your OSF pension may be commuted to a lump sum at the rate of £12.50 per £1 per annum

Death Benefits

Upon your death (whether before or after normal retirement age) Government will pay your spouse a pension for life of 50% of your pension.

Government will also pay each of your dependents upon your death a pension of (if there is one dependent) 25% of your pension or (if there is more than one dependent) 50% of your pension divided by the number of dependents, the pension being paid until the dependency ceases (age 18 in the case of children who are not dependent otherwise than by age).

If you die within 5 years of retirement, your estate will receive the balance of the pension payments which (had you not died) you would have received during the first 5 years of retirement.

Abatement of Benefits

If you recover to the extent that you return to employment before normal retirement age, your ill-health benefit will be abated to the extent that your total earnings including the ill-health benefit exceed the current salary of the position you formerly occupied in Government service.

Option (B) – Scheme Benefits

You can use the money in your Individual Account attributable to Government service (ie. excluding amounts in your Individual Account attributable to additional voluntary contributions or to employment otherwise than in Government service) to arrange retirement benefits (see Chapter V) as though you had reached normal retirement age, waiving the rule which prevents payment of benefits before age 50 if applicable.

If you choose Option B – Scheme Benefits, you shall not be entitled to defer receipt of certain retirement benefits up to age 75 so far as they relate to the money in your Individual Account attributable to Government service.

Money in your Individual Account attributable to additional voluntary contributions or to employment otherwise than in Government service can be added to the money attributable to Government service and used to arrange retirement benefits, or can be left invested in the Scheme until no later than age 75 at which time they must be used to arrange retirement benefits.

Benefits Payable to Members not in Government employment – Section 32A

If you retire on the grounds of ill-health or disability, you can use the money in your Individual Account to arrange retirement benefits (see Chapter V) as though you had reached normal retirement age, waiving the rule which prevents payment of benefits before age 50 if applicable, provided:-

- you are a member of the Scheme, and
- either you are not employed by Government or you have less than two years continuous service with Government, and
- you are not entitled to a refund of contributions because you are leaving the Falkland Islands after less than two years membership of the Scheme, and
- the Chief Medical Officer has certified that you are so ill or disabled as to be permanently unable to work (whether or not you were working before retirement), and
- no further contributions are paid to the Scheme either by you or on your behalf, and
- you notify the Scheme within one year of your retirement

If you decide to use the money in your Individual Account to arrange retirement benefits before normal retirement age, you shall not be entitled to defer receipt of certain retirement benefits up to age 75.

Any Social Welfare benefits to which you may otherwise be entitled will be subject to review to take into account any benefits which you receive under the Scheme.

X

MATERNITY LEAVE

THE FOLLOWING BENEFITS ARE APPLICABLE TO GOVERNMENT EMPLOYEE MEMBERS

Death , Ill-Health and Disability Benefits

Entitlement to these benefits are continued in full during maternity leave, based on the Pensionable Salary you received immediately before your maternity leave commenced.

These benefits will cease when: -

- *you notify Government that you will not be returning to work, and tender you resignation;*

  or

- *you have notified Government that you intend returning to work, however do not do so and exceed the 40 weeks (maximum) maternity leave limit allowed. This will not apply if you are unable to return to work because of ill health or injury.*

Pension Benefits

While you are on paid maternity leave Government will continue to contribute to your Individual Account based on the actual salary you receive during your leave. When your salary stops contributions will stop. When you return to work contributions to your Individual Account will be resumed.

XI

TAXATION

Contributions

The following concessions are regulated under the provisions of the Taxes Ordinance 1997; they are at least current up to the 2007 Year of Assessment (applicable to 2006 income) but are subject to amendment by Ordinance at any time beyond that date. Please note that contributions made to any approved pension scheme, including this Scheme, are limited in aggregate to the percentages quoted below for the purpose of obtaining tax relief:

If you are an employee, any contributions you make up to 20% of your relevant earnings are tax deductible and should be claimed as a deduction on your annual return.

If you are an employer, any contributions you make on behalf of an employee up to 35% of their relevant earnings may be deducted as an expense for the period in question.

If you are self-employed, up to 20% of your relevant earnings are tax deductible and should be claimed as a deduction on your annual return.

Your Pension

Your pension is treated as taxable income.

If you decide to take a lump sum when you retire then that will be tax-free (the maximum you may take is 25% of your Individual Account).

Refunds

If you get a refund of contributions, because contributions have been made by you or on your behalf to the Scheme for less than two years **and** you are leaving the Falkland Islands permanently within six months of ceasing to contribute to the Scheme, the refund will be subject to tax and should be declared as income on your annual return.

XII

ADMINISTRATION

Currently all costs associated with the administration of the Scheme are being met by the Falkland Islands Government, for an unspecified period. The Government has also employed a Pensions Officer who is located within the Treasury. If you require further advice or assistance about this Scheme you should in the first instance contact him on 28416, fax 27144 or e-mail ndodd@sec.gov.fk.

The Pensions Board is required to employ a fund manager, an actuary, and an auditor (Sections 10 and 11). In addition, the Board is also required to appoint an adjudicator to whom complaints about matters relating to the Scheme may be made by any persons prescribed by Regulations (Section 16 as amended).

The Pensions Board must also produce annual accounts, which must be audited, and an annual report on the Scheme (Section 13).

Information from these documents will be made available to you annually, in summary form, and you can, if you wish, inspect the whole of these documents together with any accompanying statements by contacting the Pensions Officer at the Treasury (Section 39).

XIII

COMPLAINTS

An Adjudicator has been appointed by the Pensions Board to consider any disagreements or disputes which arise concerning the Scheme. Such disagreements or disputes might involve members and/or employers and/or or the Pensions Board and/or any agents of the Pensions Board involved in the administration of the Scheme. The Adjudicator does not have power to consider any complaints regarding the investment performance of the funds.

Any member or prospective member of the Scheme, any employer of members or prospective members of the Scheme, and any spouse or dependant of a deceased member of the Scheme, can make a complaint.

A complaint must not be made unless the complainant has already brought the problem to the attention of the other person or body involved, and either they have not responded or the complainant is dissatisfied with their response.

Any complaints should be made in writing and signed by the complainant (or by their representative) to the Adjudicator, and should state:-

- the full name, address and date of birth of the complainant
- where the complainant is a spouse or dependant, their relationship to the member and the full name, last address, date of birth and date of death of the member
- the full name and address of any representative of the complainant
- the complainant's Falkland Islands address for correspondence
- a statement as to the nature and facts of the disagreement with sufficient details to show why the complaint is being made

Where the complaint involves the complainant's employer, the complainant must copy the complaint to the employer within 5 days of submitting the complaint.

The Adjudicator will give a written decision on the complaint to the complainant, and will copy the decision to the Pensions Board and, where relevant, the employer, within two months of the complaint being lodged. Everyone served with a copy of the Adjudicator's decision must take all necessary steps to give effect to the Adjudicator's decision.

The name and address of the Adjudicator are available from, and a copy of the Complaints Procedures Regulations may be inspected at the office of, the Pensions Officer at the Treasury.

APPENDIX 1

FALKLAND ISLANDS PENSIONS SCHEME

EXPRESSION OF WISH FORM

What happens if you die before Retirement?

A) If you are a Government employee, or if your employer has made arrangements with the Pensions Board to pay death benefits, your estate will receive certain Death-in-Service benefits. Please see section VIII of the Explanatory Booklet.

B) In any other case, your estate will receive payment from the Pensions Board of the accrued value of your pension fund at the date of your death.

To assist the Pensions Board in making the selection as to who should receive these death benefits and in what proportions in the event of your death, you are asked to complete and return this form.

Members' wishes, as expressed on this form, will not be binding on the Pensions Board who must retain an unfettered discretion under the pension scheme rules, but will be carefully considered by the Pensions Board before any payment is made.

If more than one person is named, please indicate the proportion of the total death benefit which you would wish each person to receive alongside the details relating to that person.

If you wish to complete this 'Expression of Wish Form', please return it to Treasury in a sealed envelope marked.

To the Pensions Board:

I understand that certain of the benefits arising in the event of my death will be held by the Pensions Board in trust for payment to such one or more persons as they may determine in accordance with the appropriate Trust provisions.

I wish to nominate the individual(s) referred to overleaf to receive the benefits in the proportions indicated:–

Your Name (Block Capitals Please): ______________________________

Falkland Islands
Pension Number: ______________

United Kingdom
National Insurance Number [| | | | | | | |]

Name and Address	Relationship	Proportion of Benefits

		%

I understand that there is no guarantee that the monies will be distributed in accordance with my wishes, but these will be carefully considered before any payment is made.

This 'Expression of Wish Form' cancels any previous Expression of Wish Form that I may have made in respect of these benefits.

Signed Date

EXAMPLE

Name and Address	Relationship	Proportion of Benefits %
Mary Smith 1 Any Road, Anytown, ANY 1XY	Wife	100%

In the event of her death occurring at the same time as mine my nomination is as follows:

George Smith 1 Up the Road, Anytown, ANY 1VW	Brother	50%
Michael Smith 1 Any Road, Anytown, ANY 1XY	Son	25%
Sally Smith 1 Any Road, Anytown, ANY 1XY	Daughter	25%

Note: Examples of the persons you may wish to nominate to receive the benefits are:

Your wife, husband, children, parents, grandparents, brothers, sisters, or any other person.