

# Local Government Pension Scheme

Deferred Members of the LGPS

## Sgeama Peinnsein an Riaghaltais Ionadail

Buill Urramach de SPRI

# 2015

## Newsletter Cuairtlitir

### **Annual deferred benefit statement**

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You will have recently received a benefit statement showing the value of your deferred benefits as at 6th April 2015. Your benefits increased by 1.2% this year, based on a rise in line with the Consumer Prices Index as at 30<sup>th</sup> September 2014. Your benefits will continue to increase in line with the Consumer Price Index both prior to and after they come into payment.

## Security of pension

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The rules of the Local Government Pension Scheme (LGPS) for Scotland are written under statute, which means that your deferred benefits are safe, secure and fully guaranteed.

## How did you calculate my pension benefits?

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Your deferred benefits are calculated based on your length of membership in the LGPS and your average pensionable pay in the 365 days leading up to your date of leaving (or any of the 2 previous years if higher).

For part time employees the membership was based on the proportion of full time equivalent membership, but the pay used was based on the full time equivalent pay for the post.

## Payment of benefits

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Your deferred pension can usually be paid from your 60th birthday onwards and our current process is to write to our deferred members as they approach age 60. If you take your benefits before the Local Government Pension Scheme (LGPS) normal retirement age of 65, they may be reduced depending on when you left the LGPS, your age and your length of scheme membership.

## Lifetime Allowance

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The Lifetime Allowance for 2015/16 is set at £1.25 million. Your Lifetime Allowance is calculated as 20 times your annual pension plus your lump sum, plus the value of your AVC fund if this applies. When your deferred benefits come into payment you will be asked for details of any other pension benefits that you have accrued so we can calculate if you have exceeded your Lifetime Allowance. This new limit is unlikely to affect all but the highest earners in the immediate future.

### Example of capital value of pension benefits

Annual pension £15,000 x 20 = £300,000

Plus lump sum £45,000

Total £345,000

## Giving up pension for lump sum

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When benefits are due for payment you can choose to give up part of your pension in exchange for a tax free lump sum. Your total lump sum can be up to 25% of your Lifetime Allowance. You will be able to change pension to lump sum at the rate of £12 extra lump sum for every £1 of annual pension given up. If you also have any in-house Additional Voluntary Contributions (AVCs) you may be able to take up to 100% of the AVC fund as a lump sum, provided that your overall lump sum does not exceed the 25% limit. Prior to payment we will advise you of the options available.

## Ill health

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Benefits may be paid at any age if, because of permanent ill health, you would have been unable to continue the duties of your former Local Government employment until at least age 65. In these circumstances you should write to the Pension Section, giving a brief outline of the medical condition together with the name, address and telephone number of your GP. A standard form will be issued for completion and return, then a medical appointment will be arranged for you to be seen by the Pension Fund's Medical Advisor.

Should benefits become payable on the grounds of ill health, they become payable from date of application.

## Lump sum (death grant)

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If you die before you receive your pension benefits, the lump sum death grant is equal to three (for Pre 31<sup>st</sup> March 2009 leavers) or five (for Post 31<sup>st</sup> March 2009 leavers) times the current value of your deferred annual pension. If you have deferred benefits and are also an active member of the scheme when you die this may impact on the death grant payable.

The lump sum death grant would normally be payable to your nominated beneficiary. Where no nomination is held, then the Pension Fund may make payments to or for the benefit of your executor or any person appearing to have been your relative or dependant at any time.

If you get married, form a registered civil partnership, or get divorced, any nomination that we hold will become invalid. You should complete a new nomination, even if the person you are nominating has not changed. Please contact the Pension Section to obtain a nomination form or download one from our website.

## Survivor's pension

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A pension will be paid to your husband, wife, registered civil partner or nominated co-habiting partner. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the Consumer Price Index (inflation).

For your husband or wife, the pension payable is generally equal to 1/160<sup>th</sup> of your final pay times the membership your deferred pension is based on, unless you marry after leaving, in which case it could be less.

For your civil partner or nominated co-habiting partner, the pension payable is equal to 1/160<sup>th</sup> of your final pay times your membership in the scheme from 6<sup>th</sup> April 1988.

## Children's pension

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When a deferred member dies, a pension will be paid to an eligible child. The child's eligibility is assessed by dependency on the scheme member – he/she must have been dependent at the date of death. A child's pension which comes into payment on or after 6<sup>th</sup> April 2006 will be paid until age 18 unless the child is in receipt of full time education or training, in which case it will be paid no later than age 23. Where a child is physically or mentally incapacitated the pension will be payable for life.

## Combining LGPS membership

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If you re-join the LGPS (Scotland) scheme in the future your deferred benefits will be combined with your new active pension account, unless you elect within 12 months to keep them separate. We will automatically contact you with information on the options available.

## A NEW LGPS for 2015

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The scheme changed on 1st April 2015. As your deferred benefits relate to membership prior to 1st April 2015, they are not affected by the changes. If you would like further information about the new scheme, please visit our website: [www.highlandpensionfund.org](http://www.highlandpensionfund.org)

## Transfer of pension benefits

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Your deferred benefits can usually be transferred to another occupational pension scheme, a personal pension or an annuity policy.

In line with Pension Liberation Legislation, I am required to provide you with information to make you aware of the potential warning signs of pension scams which are on the increase. Scammers are targeting savers with promises of one-off investments, pension loans or upfront cash. Most of these are bogus. Pension scam models are also changing. Many scammers are directing members to transfer into single member occupational schemes in an attempt to escape scrutiny.

Here are some of the most common tactics used by pension scammers to trick savers out of their savings:

- A cold call, text message, website pop-up or someone coming to their door offering them a 'free pension review', 'one-off investment opportunity' or 'legal loophole'.
- Convincing marketing materials that promise someone returns of over 8% on their investment.
- Paperwork delivered to their door by courier that requires immediate signature.
- A proposal to put their money in a single investment. In most circumstances, financial advisers will suggest diversification of assets.
- Transfers of their money overseas.

What they don't say is that you could face a significant tax bill.

If you are cold-called or text messaged with a deal to unlock or review your pension, don't touch it.

If you agree to this you could face a tax bill of more than half your pension savings. 'Pension loans' or cash incentives are being used alongside misleading information to entice savers as the number of pension scams increases. This activity is known as 'pension liberation fraud' and it's on the increase in the UK.

More information on "Freedom and choice" along with some frequently asked questions can be found on our website: [www.highlandpensionfund.org](http://www.highlandpensionfund.org)

To find out more about the dangers of "pension liberation" you can refer to the following Government sponsored websites:

[www.pension-scams.com](http://www.pension-scams.com)

[www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

## National Fraud Initiative

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The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland. It collects information about individuals held by different public bodies on their different computer systems. NFI seeks to identify incorrect payments of social security benefits, housing benefits or pensions. As we have a statutory obligation to participate in the NFI, we will share your data with other public bodies.

## Change of name/marital status/gender

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If you change your name, title, marital status or gender then please advise the Pension Section, in writing (see address on back page), enclosing a copy of the relevant certificate.

## Change of nomination

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If you require to amend your nomination details, a form can be downloaded from our website: [www.highlandpensionfund.org](http://www.highlandpensionfund.org) by clicking on 'About us' then 'forms and publications'.

## Change of address

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It is important that to be able to keep you advised of the value of your deferred benefits, you notify the Pension Section of any change of address in writing or by email (see backpage for postal and email addresses).

## Useful links

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[www.highlandpensionfund.org](http://www.highlandpensionfund.org)

[www.scotlgps2015.org](http://www.scotlgps2015.org)

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

[www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)

[www.pension-scams.com](http://www.pension-scams.com)



## Further information

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If you have any queries or feedback regarding the information provided, please do not hesitate to contact the Pension Section, quoting your national insurance number.

Pension Section, Finance,

The Highland Council HQ,

Glenurquhart Road,

Inverness IV3 5NX

Email: [pensions.section@highland.gov.uk](mailto:pensions.section@highland.gov.uk)

Website: [www.highlandpensionfund.org](http://www.highlandpensionfund.org)

Alternatively you can telephone from 9am to 5pm, (Monday to Friday) **01463 702441**.