

Local Government Pension Scheme

Deferred Members of the LGPS

Sgeama Peinnsein an Riaghaltais Ionadail

Buill Urramach de SPRI

2014

Newsletter Cuairtlitir

Annual deferred benefit statement

You will have recently received a benefit statement showing the value of your deferred benefits as at 7th April 2014. Your benefits increased by 2.7% this year, based on a rise in line with the Consumer Prices Index as at 30th September 2013. 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

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?

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

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

The Lifetime Allowance for 2014/15 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

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

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 medical appointment will then 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)

If you die before you receive your pension benefits, the lump sum death grant is equal to three (for Pre 31st March 2009 leavers) or five (for Post 31st March 2009 leavers) times the current value of your deferred annual pension.

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 anytime.

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

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 1/160th 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 1/160th of your final pay times your membership in the scheme from 6th April 1988.

Children's pension

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 6th April 2006 will be paid until age 17 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

If you are not currently a member of the LGPS but re-join the scheme in the future you will be given the opportunity to combine your previous benefits. An election to combine must be received within 12 months of re-joining.

A NEW LGPS for 2015

The LGPS is changing to a career average scheme 'LGPS 2015' on 1st April 2015. **LGPS 2015 will not impact on deferred members' benefits.** If you are still eligible to join the LGPS, you may be interested in the new 50/50 option in the new scheme. It offers half pension for half contributions with full death and ill health protection for your loved ones.

Contact us after 1st April 2015, if you would like more info on the 50/50 option.

Up to date information about the new scheme can be found by visiting the dedicated website: www.scotlgps2015.org

Transfer of pension benefits

Your deferred benefits can be transferred to another Local Government Employer's Pension Scheme or to a Public Sector scheme, where the transfer in general is likely to buy day for day membership in a final salary scheme.

However you should always think carefully before transferring your benefits to another employer's scheme or to a personal pension plan where the schemes are likely to be money purchase schemes.

A money purchase scheme is based on the value of your fund at retirement and the cost of "buying" a pension with this fund when you retire. The amount of your pension is therefore dependent on how well or otherwise your fund performs.

You should remember that by transferring the value of your pension benefits out of the LGPS you are giving up benefits that will be increased in line with the Consumer Price Index both before and after you retire.

Beware of the dangers of pension liberation fraud

Recent news reports have highlighted an increasing number of fraudulent pension liberation schemes. Companies are singling out savers like you and claiming that they can:

- help you cash in your pension early.
- provide you with a pensions review.

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. In most cases, promises of early cash before age 55 from your current scheme will be bogus and are likely to result in serious tax consequences.

For more information about the dangers of "pension liberation", visit the following Government sponsored website: www.pensionsadvisoryservice.org.uk

Even if you are contacted by a legitimate pensions company about taking more of your benefits as a lump sum, don't give up your benefits lightly.

- You can take tax-free cash from the LGPS.
- You would be giving up an index linked pension for life.
- And LGPS pensions continue to spouses / nominated cohabiting partners on your death.

What to do if you think you're being targeted:

- Never be rushed or pressured into making a decision.
- Before you sign anything, call The Pensions Advisory Service on **0300 123 1047**.
- If you have already accepted an offer, call Action Fraud on **0300 123 2040**.

Visit www.pension-scams.com to find out more.

National Fraud Initiative

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

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

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

Change of address

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

www.highlandpensionfund.org

www.scotlgps2015.org

www.pensionsadvisoryservice.org.uk

www.pension-scams.com



Further information

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

Website: www.highlandpensionfund.org

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