

Information for Independent Financial Advisors on transferring out from Highland Pension Fund.

TRANSFERRING MAIN SCHEME BENEFITS FROM THE LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND)

Highland Pension Fund is only able to make cash equivalent transfer values payments when we are satisfied that a transfer has met the Pensions Regulators' Guidance.

Members are only entitled to make one free request for a guaranteed transfer quotation from the LGPS administering authority in any 12 month period and, if they wish to proceed with a transfer, the election to proceed must be made at least 12 months before their Normal Pension Age in the LGPS or, if they are a Pension Credit member, at least 12 months before their Normal Pension Age (NPA is defined by the scheme regulations in force at the time a member leaves the scheme – see about the scheme below).

If a member is already in receipt of a pension from another period of membership with the LGPS in Scotland, section 93 of the Pensions Schemes Act 1993 does not allow a CETV to be paid in respect of another period of membership. In addition, members can only transfer benefits from the LGPS Scotland if they have left the scheme and have not already drawn benefits from LGPS Scotland (either in their current employment or any earlier employment).

The Fund will only send a guaranteed transfer value when we receive a formal application for transfer from another pension scheme, or formal request from you together with details of the receiving scheme. Discharge forms will only be provided with a guaranteed CETV.

To enable you to advise a member, the Fund will firstly send you an illustrative CETV which will not be guaranteed. Your client will be able to provide you with their latest benefit statement and annual allowance information which they can access via our "Highland Pensions online page". They will also be able to provide you with projections if they are current members. Members can access this from the [how we keep in touch page](#) of our website. The Fund will not provide information about a member without a current written authorisation from the member.

ABOUT THE SCHEME

The LGPS (S) is a statutory scheme; changes to the scheme can only be made through legislation laid down by the Scottish Government. The scheme was contracted out of the earnings related part of the state scheme until 5 April 2016 and revalues GMP at the full rate. The following shows the scheme basis, accrual rates and NPA for each set of regulations with a link to the full regulations.

Regulations	Basis	Accrual	NPA	Earliest retiral without reduction
1987 Effective 1/4/1988	Final salary	Pension 1/80th Lump sum 3/80ths	Between age 60 and 65 when notional membership amounts to 25 years	Over age 60 +25 years membership
1998 Effective 1/4/1999	Final salary	Pension 1/80th Lump sum 3/80ths	65	Over age 60 when age and membership together adds up to 85 or more
2008 Effective 1/4/2009	Final Salary	Pension 1/60th No automatic lump sum but can given up pension for lump sum at 12:1	65	Over age 60 when age and membership together adds up to 85 or more if in scheme before 1/12/2006, otherwise age 65.
2014 Effective 1/4/2015	CARE (but see below)	1/49th of actual pensionable pay per year	Equal to New State Pension Age.	65 unless has transitional protection if a member before 1/4/2015

Anyone who was a member on 31 March 2015 and remained a member on 1 April 2015 will have transferred to the new scheme. These members retain a final salary link for their pre-1 April 2015 membership. The final salary used is the “final pay” at date of leaving the scheme. Final pay is the average pay based over a year rather than actual rate of pay on leaving and means the best in the last three years of working.

Anyone joining the scheme from 1 April 2015 joins the current scheme. You can find information of the current scheme on the home page of the Highland Pension Fund website.

You can find a scheme booklet on our [forms and publications](#) page. The booklet includes tables showing actuarial reduction factors which may apply to early retirements.

The scheme is funded by employer and member contributions as well as investments. You can find information on the Funding of the scheme in the latest Fund Actuarial Valuation report on our [forms and publications](#) page.

The following covers questions frequently asked by IFA's.

- ❖ There is no charge or penalty for transferring out of the scheme. Where a request is for transfer to a scheme where GMP or protected rights cannot be accepted it is possible to transfer only the non protected rights. It is also possible to transfer all rights to such a scheme provided the transferring member is aware of the rights being given up.
- ❖ Members have the right to transfer their accrued LGPS benefits to another scheme including a scheme that offers flexible benefits. However, if the total value of their LGPS benefits across all LGPS in Scotland is £30,000 or more then they are required to take independent advice (but not for AVCs), from an authorised independent adviser who is registered with the Financial Conduct Authority (FCA).
- ❖ If the total value of their LGPS benefits is £30,000 or less (or in respect of a transfer of AVCs), we recommend that members seek independent financial advice before deciding to transfer his/her LGPS pension benefits.
- ❖ Pension Increase and Revaluation

Pensions from the final salary part of the scheme when in payment or in deferment are revalued yearly by CPI and cannot fall below zero. The CARE part of the pension is revalued yearly by Treasury Orders.

Where the Treasury Order revaluation is below zero a negative revaluation will be applied to current members' pension accounts accrued that year and to those of any member who left within the year it applies to. Pensions in payment are not devalued but will have no increase.

As we do not know future revaluation and pensions increase rates the Fund will not provide projections beyond the current year.

❖ **Contributions**

The amount of contributions payable by a member is determined by the [Regulation 9 of the LGPS\(S\) 2014 Regulations](#). Members pay a percentage of their pay based on their pensionable earnings. Employers' contributions are not based on individual member's contributions but are determined by the scheme actuary following the triennial scheme valuation. The latest scheme valuation showing how much each employer pays can be found on the [forms and publications](#) page of our website. We will not provide a breakdown of the contributions paid by a member or employer as the contributions merely fund the scheme and are not used to calculate any benefits payable.

❖ **Pension Commencement Lump Sum**

The scheme regulations allow the member to give up pension to provide a bigger tax free lump sum at retirement at the rate of £1 of pension for an additional £12 of lump sum. The scheme allows a member to take up to 25% of the capital value of their accrued rights as tax free cash. Please see [Regulation 32 of the LGPS\(S\) 2014](#).

❖ **Discretionary Increases**

There are no discretionary increases either in deferment or in payment.

❖ **Definition of spouse**

In the event of a member's death, pensions are payable to eligible partners. Eligibility depends on the regulations in force at the time the member left the scheme.

If the member left the scheme after 31 March 2009 a partner is a legally married husband or wife (including same sex spouse), a civil partner or cohabiting partner.

If the member left between 1 April 1998 and 31 March 2009 a partner is a legally married husband or wife, or a civil partner

If the member left before 1 April 1998 a spouse is an opposite sex, legally married husband or wife.

❖ Death Benefits

You can find out the deaths benefits payable in the event of a member's death in the scheme booklet which is available on the [forms and publications](#) page of our website. Information is also available on the [No longer paying in](#) section of our website under "survivor benefits".

Benefits payable on death depend on when the member left the scheme. The following table gives information about death grants and who could get a survivor's pension.

The actual calculation of a survivor's pension depends on multiple factors. In general terms up to 31 March 2008 a spouse's pension would be around half of the members and after that it would be 1/160 of the membership times final pay. The relevant regulations detail the calculations (see link in table above in "about the scheme").

Death grant regulations				
Regulations LGPS(S)	Death Grant payable if death in deferment	Death Grant payable if death of a pensioner	Death Grant payable if death in service	Survivor's pensions payable
1987 Left scheme before 31/3/1988	See regulation E11	See regulation E11	N/A	Widows and children's pensions payable only
1998 Left scheme before 31/3/2009	Equivalent to the lump sum that would have been payable if not for death	5 times the annual pension in payment less any pension paid out.	N/A	Widows, widowers based on post 5/4/88 membership (plus any pre 6/4/88 bought back), children's pensions. From 5/12/2005, civil partners based on post 5/4/88 membership (plus any pre 6/4/88 bought back)

2008 Left scheme before 31/3/2015	5 times the retirement pension that would have been paid if not for death	10 times the annual pension in payment less any pension paid out.	N/A	Widows, widowers, children's. Civil partners based on post 5/4/88 membership (plus any pre 6/4/88 bought back). Co-habiting partner's pensions based on post 5/4/88 membership (plus any pre 6/4/88 bought back)
2014 Left scheme after 31/3/2015	5 times the retirement pension that would have been paid if not for death	10 times the pre commutation pension less any commuted lump sum and any pension paid to the member.	3 times actual annual pay based on average of last 3 months pay uprated to 12 months.	Widows, widowers, children's. Civil partners based on post 5/4/88 membership (plus any pre 6/4/88 bought back). Co-habiting partner's pensions based on post 5/4/88 membership (plus any pre 6/4/88 bought back)

TRANSFERRING AVC'S

In accordance with the LGPS (S), Highland Pension Fund allows current members to make AVC payments via either Standard Life or Prudential. At present a scheme member can only take a drawdown of AVC's if they are transferred to another pension scheme which allows such drawn down. AVC's can be transferred at any time before the age of 75. The member does not need to have left the scheme however AVC payments must cease before a transfer can take place. A new AVC contract can be taken out once the transfer has been completed. Anyone who is not a current member of the scheme but still holds an AVC fund can also transfer anytime up to age 75.

If a member wishes to transfer their AVC fund value, they should make a request to Highland Pension Fund in writing providing details of the receiving scheme.

Members can change their AVC investment choices with their chosen AVC provider at any time. Members have access to their AVC accounts via the provider's website's. It is also possible to transfer funds from one provider to another. You can find more information on AVC's on the [Membership and Contributions](#) page of our website under "How can I increase my pension".