

Local Government Pension Scheme

Active Members of the LGPS

Sgeama Peinnsein an Riaghaltais Ionadail

Buill Ghnìomhach de SPRI

2015

Newsletter Cuairtlitir

Annual benefit statement

You recently received a benefit statement showing your current pension benefits in the Local Government Pension Scheme (LGPS). The aim of this newsletter is to keep you informed with any pieces of news and explain areas of your Pension Scheme that we feel will be of interest to you.

LGPS 2015

Due to the scheme changing from 1st April 2015, in line with national guidance, we are unable to provide a projection of benefits to normal pension age as we have done in previous years.

This years annual benefit statement shows the value of your benefits as at 31 March 2015 based on membership and pensionable pay at that date.

The benefits accrued after 31 March 2015 will be CARE benefits. A CARE pension record will be created and updated at the end of each scheme year based on the actual pay earned, increased in line with cost of living increases.

As your statement is only based on your entitlement as at 31st March 2015, you have not yet accrued a CARE pension entitlement; therefore it is simply not possible to provide a projection this year.

If you are approaching retirement age within the next 12 months, then please contact us and we will gladly provide you with an individual estimate of your entitlement.

Moving forward to 2016, how do we expect your new statement to look? The statement will have to illustrate your Pre 2015 LGPS benefit entitlement based on your final pay provided by your employer, together with a statement of the LGPS 2015 entitlement you have 'banked' at 31st March 2016. We are expecting guidance to be issued from central government detailing what all pension authorities are required to include in future statements.

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.

Actuarial Valuation 2014

Every three years The Highland Council Pension Fund is required to obtain a valuation of the fund from an independent actuary.

The main purpose of the valuation is to review the financial position of the fund, and to determine the rate at which the employing bodies participating in the Fund should contribute in the future, to ensure that the existing assets and future contributions will be sufficient to meet future benefit payments from the fund.

The most recent valuation was carried out as at March 2014 and indicates that our funding level is now 96%.

If you would like to view the Valuation report, a copy can be viewed on our website www.highlandpensionfund.org in the "Forms and Publications" section

Frequently asked questions

How will a Career Average Scheme work?

From April 2015, for each year in the new scheme, you build up benefits based on a 49th of that year's actual pensionable pay. Your benefits then have cost of living increases added every year. There are worked examples of how this will work in practice which you can view on the dedicated website: www.scotlgps2015.org

(Please note, the example uses a high growth rate and pay increase to ensure there are noticeable differences in the pensions values per year).

What happens to my benefits built up before April 2015?

Your final year's full time equivalent pay when you leave the LGPS will still be used to work out these benefits.

When will I be able to retire?

You can retire at any point from your 60th birthday. However, if you retire before your State Pension Age, your benefits will be reduced and if you retire after this age your benefits will increase.

What if my State Pension Age changes?

If your State Pension Age changes, all service built up in the LGPS 2015 will be linked to your new pension age. You can find out your State Pension Age using the Governments' State Pension Age calculator, visit www.gov.uk/calculate-state-pension or follow the link on our website www.highlandpensionfund.org

I am near retirement, what protection will I get?

All of the benefits you have built up to 31st March 2015 will remain calculated on your final full time equivalent pensionable pay when you leave. Also, if you were age 55 and over on 1st April 2012, the total of all your benefits are guaranteed not to be less than they would have been if LGPS 2015 had never been introduced.

Will I still qualify for Rule of 85 protection after 2015?

If you currently qualify for Rule of 85 protection then this will continue to apply.

What is the new 50/50 option?

As an alternative to opting out, or at times when money is tight, there is an option to stay in the Scheme but pay a reduced contribution. This option is called the 50/50 option.

You can elect for this at any time and it means that you pay half your normal contributions and build up half of the normal pension during the period you pay the reduced rate.

The 50/50 section is designed to be a short-term option and because of this your employer is required to re-enrol you back into the main section of the scheme every three years.

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

Transfer of pension benefits

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

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

www.pension-scams.com

www.pensionwise.gov.uk

www.pensionadvisoryservice.org.uk

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.

Increasing your pension benefits

You can pay more to top up your retirement benefits.

There are two ways you can increase your benefits in the Scheme.

- Buying extra pension (APC's).
- Paying Additional Voluntary Contributions to Prudential (AVCs).

Don't forget you get tax relief on extra contributions which lowers their real cost to you.

Further information can be found on our website www.highlandpensionfund.org under the membership and contributions section; "How can I increase my pension?" You will also find an online calculator "Buying extra pension" where you can obtain quotes or make an application.

Alternatively, if you have an enquiry regarding AVC's you can call Prudential directly on 0845 607 0077, or you can visit: www.pru.co.uk/rz/localgov

Buy Lost Pension

If you are absent from work as a result of industrial action or authorised unpaid leave this period will not count towards your pension. If you wish to buy back the pension that you have lost during this time. You can do this regardless of whether you are in the main or 50/50 section of the Scheme.

If you elect to cover the break within 30 days of returning to work your employer will meet two thirds of the cost, unless the absence is due to industrial action.

To find out more about this option, an online calculator can be found on our website where you can obtain quotes or make an application, alternatively, you can contact the pension section who will prepare a quotation on your behalf.

Annual Allowance (AA)

The Annual Allowance is the amount by which the value of your pension can grow from one year to the next without having to pay a tax charge. The limit for 2014/15 and 2015/16 is set at £40,000. Anything that exceeds this amount is liable for a tax charge, although you can use any unused AA in the previous 3 years to offset any tax liability.

Most people will not be affected by the Annual Allowance tax charge because the value of their pension saving will not increase in a tax year by more than £40,000 or, if it does, they are likely to have unused allowance from previous tax years that can be carried forward.

We will inform you if your pension savings in an input period exceed the Annual Allowance to tell you more about this.

Lifetime Allowance

The Lifetime Allowance is the total amount of pension benefits that can be provided without incurring an extra charge (this has to include any other pension arrangements you may have). The Lifetime Allowance for 2014/15 and 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. This new limit is unlikely to affect all but the highest earners in the immediate future.

You can find more information about tax allowances from HMRC.

Change of name/marital status/gender

If you change your name, title, marital status or gender then please advise the Pension Section, in writing, 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 pension benefits, you notify the Pension Section of any change of address in writing or by email.

Pension Section, Finance, The Highland Council HQ, Glenurquhart Road, Inverness IV3 5NX

Email: pensions.section@highland.gov.uk

Useful links

www.highlandpensionfund.org

www.scotlgps2015.org

www.pensionsadvisoryservice.org.uk

www.pension-scams.com

www.pru.co.uk/rz/localgov



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**.