

## Local Government Pension Scheme

Active Members of the LGPS

## Sgeama Peinnsein an Riaghaltais Ionadail

Buill Ghnìomhach de SPRI

# 2014

## Newsletter Cuairtlitir

### **Annual benefit statement**

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You recently received a benefit statement showing your current and projected pension benefits in the Local Government Pension Scheme (LGPS). In addition, we like 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.

# A NEW Scottish LGPS 2015

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From 1<sup>st</sup> April 2015 the Local Government Pension Scheme (Scotland) is changing:

- your pension built up to 31<sup>st</sup> March 2015 is protected.
- your pension built up from 1<sup>st</sup> April 2015 will be worked out differently.
- your contributions, life and ill health cover will still be a great deal.
- the scheme remains a defined benefit scheme so all benefits built up in the LGPS are guaranteed.

The key scheme changes are:

- a move to benefits being worked out using career average (CARE) rather than final salary.
- pension is built up at a rate of 1/49th of annual pensionable pay.
- member's normal retirement age being linked to their own State Pension Age (visit [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension) for more information). Members will still be able to retire any time from age 60 but a reduction for early payment may apply.
- protection of benefits for members age 55 and over at 1<sup>st</sup> April 2012 who will be guaranteed that their benefits will not be less than they would have been if the 2015 scheme had never been introduced.

Your pension continues to be based on what you earn, remains guaranteed and your employer continues to make a substantial contribution on your behalf, so it's still great value.

A cost-control mechanism will be implemented to make sure the Scheme remains affordable and sustainable in the future.

A number of current 2009 Scheme features will continue in the new 2015 Scheme including certificate of protection, ability to swap annual pension for lump sum and rule of 85 protection.

**These changes will not take place until 1<sup>st</sup> April 2015, therefore, benefits built up before 1<sup>st</sup> April 2015 will continue to be worked out based on your final pensionable pay when you leave.**

## Comparing the current and new scheme

	<b>LGPS 2015</b>	<b>LGPS 2009</b>
<b>Type of pension</b>	Career Average Revalued Earnings (CARE).	Final Salary.
<b>How much of my yearly pay do I get as a pension?</b>	1/49 <sup>th</sup>	1/60 <sup>th</sup>
<b>Inflation protection</b>	Consumer Prices Index (CPI)	Consumer Prices Index (CPI)
<b>What pay is used to calculate my pension?</b>	Pay excluding non-contractual overtime, but additional hours for part time staff now included.	Pay excluding non-contractual overtime.
<b>Employee contribution rates</b>	Tiered contribution rate based on actual earnings.	Tiered contribution rate based on full time equivalent pay.
<b>Can I reduce my pension contributions?</b>	Yes – you can pay 50% contributions to get 50% pension.	No
<b>Normal Pension Age</b>	Equal to individual member's State Pension Age but not less than age 65.	Age 65
<b>Annual pension for extra lump sum swap</b>	Swap £1 of annual pension for £12 lump sum.	Swap £1 of annual pension for £12 lump sum.
<b>Death in Service Lump Sum</b>	3 x pensionable pay.	3 x pensionable pay.
<b>Partner and survivor pension</b>	Pension paid to husband/wife/civil partner and co-habiting partner if you die – no requirement to nominate.	Pension paid to husband/wife/civil partner and nominated co-habiting partner if you die.
<b>Ill Health Provision</b>	<p><b>Tier 1</b> - Immediate payment with service enhanced to Normal Pension Age (linked to State Pension Age).</p> <p><b>Tier 2</b> - Immediate payment with 25% service enhancement to Normal Pension Age (linked to State Pension Age).</p>	<p><b>Tier 1</b> - Immediate payment with service enhanced to Normal Pension Age (65).</p> <p><b>Tier 2</b> - Immediate payment with 25% service enhancement to Normal Pension Age (65).</p>
<b>Certificate of protection</b>	Certificate of protection for 10 years issued where pay has been reduced at no fault of member.	Certificate of protection for 10 years issued where pay has been reduced at no fault of member.
<b>Protection for those nearing retirement</b>	Members age 55 and over at 1 <sup>st</sup> April 2012 will be paid the greater pension benefits whether under the Scottish LGPS 2015 or 2009 scheme.	n/a

## Frequently asked questions

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### How will a Career Average Scheme work?

From April 2015, for each year in the new scheme, you will build up benefits based on a 49<sup>th</sup> 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](http://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 60<sup>th</sup> 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.

### I am near retirement, what protection will I get?

All of the benefits you have built up to 31<sup>st</sup> 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 1<sup>st</sup> 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.

**Further information about the new scheme can be found by visiting the dedicated website: [www.scotlgps2015.org](http://www.scotlgps2015.org)**

## 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.

## 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](http://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](http://www.pension-scams.com) to find out more.

## 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.
- Paying Additional Voluntary Contributions to Prudential (AVCs).

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

Visit the section of our website called 'Boost my pension' where you will find more information and some useful examples.

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](http://www.pru.co.uk/rz/localgov)

## Annual Allowance (AA)

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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. In 2012/13 and 2013/14, the AA was £50,000. HMRC has introduced a new limit of £40,000 for the tax year commencing April 2014. 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

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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 2013/14 was 1.5 million and for 2014/15 it 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.

## 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, enclosing a copy of the relevant certificate.

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

## 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 going to the "About Us" tab and clicking on "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 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](mailto:pensions.section@highland.gov.uk)

## Useful links

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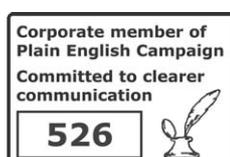
[www.highlandpensionfund.org](http://www.highlandpensionfund.org)

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

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

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

[www.pru.co.uk/rz/localgov](http://www.pru.co.uk/rz/localgov)



## 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**.