

Annual Benefit Statement 2019

Members Newsletter

For members of the Local Government Pension Scheme (Scotland) (LGPS)

Welcome to your Highland Pension Fund Annual Benefit Statement Newsletter for 2019.

This information should be read in conjunction with your annual benefit statement. You should check that the information on your statement is correct and inform me as soon as possible of any errors.

Your annual benefit statement is only available to view and print online. You will need to contact us each year to ask for a paper copy if required. Registration is not automatic so if you haven't already done so, please register today.

Log on or register at www.highland.gov.uk/pensionsonline

Security of pension

The rules of the Local Government Pension Scheme (LGPS) for Scotland are set out in law. This means that your benefits are safe, secure and fully guaranteed. The scheme provides you with a future income, independent of share prices and stock market fluctuations.

Retiring from age 55

You may have read the recent news story on our website that an amendment to the Local Government Pension Scheme Regulations 2018 now allows deferred members to access their pensions once they attain age 55. This means that, in line with the Pension Freedoms set out in the Finance Act 2015, any member (whether active or deferred) who is aged 55 or over may elect to receive payment of their pension benefits before their Normal Pension Age.

If you do elect for early payment, the benefits will be reduced to take account of the fact that benefits are being paid earlier and for longer. The amount they are reduced by will depend on how many years early they are paid. A table showing the percentage reduction to both pension and lump sum can be found below.

Early Retirement Reductions (effective from 12/03/2019*)

Percentage to be applied to pension and lump sum based on the number of years early. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

Number of Years Early	Pension Reduction (%) Male	Pension Reduction (%) Female	Retirement Grant Reduction (%) All Members
0	0.0%	0.0%	0.0%
1	5.4%	5.4%	2.3%
2	10.4%	10.4%	4.6%
3	14.9%	14.9%	6.9%
4	19.2%	19.2%	9.1%
5	23.1%	23.1%	11.2%
6	26.8%	26.8%	13.3%
7	30.2%	30.2%	15.3%
8	33.3%	33.3%	17.3%
9	36.2%	36.2%	19.2%
10	39.0%	39.0%	21.1%
11	43.0%	43.0%	21.1%
12	45.5%	45.5%	21.1%
13	47.8%	47.8%	21.1%

*These factors are correct as at 12/03/2019 and are subject to revision at any time without prior notice.

There are no changes to Rule of 85 protections. Therefore, Rule of 85 will only apply to benefits taken from age 60, even if you meet the rule of 85 before age 60.

(The only exception to this is if your employer decides to “switch on” the rule of 85 before age 60 and take on the additional cost of paying your benefits early. This is an employer discretion and individual employers must publish a discretionary policy statement setting out their position for this discretion to apply.

Exit Payments

In 2016 the Government announced proposals to standardise and limit severance or exit payments in the public sector. The main proposals were as follows:

- A £95,000 cap on exit payments – A proposed limit on the total value of payments made when ending a public-sector worker’s employment. This includes the cost of employer-funded early retirement, for example an immediate pension payable on redundancy from age 55.

- Retrieving payments following re-employment to the public sector within 12 months of leaving for those earning £80,000 or above (and associated reforms)
 - If someone who earns £80,000 or more leaves their employment, and returns to the public sector within 12 months, they would have to pay back some or all of their total exit payment.

A recent update has confirmed that although they still plan to go ahead with the reforms, no exact timetable has been given. A fresh consultation about the reforms is currently under way. We will publish any future updates on the **News page** of our website.

Increasing your pension benefits

There are currently two ways you can increase the pension you receive from the scheme.

Buy extra pension

You can buy extra pension right up to a maximum of £6,761 per annum (this figure will increase each year in line with cost of living). The extra pension you buy will be paid in the same way as your retirement pension. The cost will depend on how much you wish to buy and how long you wish to pay the extra contributions. To help you work out the cost of buying extra pension you can obtain a quote using our online calculator <https://scotlgps2015.org/apc/extra.php>

Additional Voluntary Contributions (AVCs)

You can pay additional contributions to our in-house AVC provider Prudential. The additional contributions are deducted from your salary and paid into a separate AVC pot. AVCs are flexible and you can start, stop, increase or decrease the amount you pay at any time. The amount you receive depends on the contributions you pay in and how long you pay these in, the impact of charges and how well the funds you invest in perform. For more information, or to commence payment of AVCs you should contact Prudential directly on 0800 032 6674 or visit their website: <https://www.pru.co.uk/rz/localgov/avcs/>

Tax limits on your pension

There are two types of pension growth taxation limits that you need to be aware of – the annual allowance and the lifetime allowance.

Annual allowance

The annual allowance is the amount by which the value of your pension savings can increase in any one year, without you having to pay a tax charge. The period over which your pension growth is measured is known as the ‘pension input period’ (PIP). If the value of your pension benefits grows by more than the limit, you may have to pay a tax charge on the extra amount. However, any ‘unused’ annual allowance from

the previous three years can be used to offset the tax charge. The annual allowance amount for 2018/2019 was £40,000 and has stayed the same for 2019/2020.

If your pension savings in the LGPS are more than the annual allowance limit for the previous tax year, we will send you a pension savings statement by 5 October. If you go over the annual allowance limit, the statement will tell you your options relating to the tax charge.

Lifetime allowance

Your lifetime allowance is the overall limit on the amount of pension savings you can build up over your working life without having to pay a tax charge. The amount of lifetime allowance you have reached so far can be found on your annual benefit statement. To work out the percentage of the lifetime allowance you have reached, multiply your annual pension by 20, add in any automatic lump sums and additional voluntary contributions (AVCs), then divide by the lifetime allowance limit and multiply by 100.

The lifetime allowance limit for 2018/2019 was £1.03 million and was increased for the 2019/2020 tax year to £1.055 million.

You can find more information about pension tax on the **forms and publications** area of our website:

<http://www.highlandpensionfund.org/media/3018/annual-allowance-factsheet-for-members.pdf>

<http://www.highlandpensionfund.org/media/3019/lifetime-allowance-factsheet-for-members.pdf>

Further information can be found by visiting the Government website www.gov.uk

Is your death benefit nomination up to date?

As an active member of the LGPS, a lump sum death grant of three times your pay may be payable to your beneficiaries if you die. If you are also a Pensioner or Deferred member (or both) of the LGPS in Scotland, the death grant payable will be the higher of your death grants.

You can tell us who you would like the lump sum death grant payment made to using our nomination form. Our nomination form can be found on the **forms and publications** area of our website www.highlandpensionfund.org. Alternatively, you can request a form by email or telephone (Contact details can be found at the end of this newsletter).

You can revise your nomination at any time by completing a new nomination form. It is important to ensure your nominated beneficiaries are kept up to date.

Are your personal details up to date?

It is important that the information we hold about you is accurate. To ensure this happens and that our records are correct, please contact us to confirm a change of address, name, marital status or other key information that you think we should know about as soon as possible.

You can find lots of useful information, forms and guides on our website



Website: www.highlandpensionfund.org

Our contact details

The Pensions Section
Corporate Resources Service
The Highland Council
Glenurquhart Road
Inverness
IV3 5NX



Telephone: 01463 702441

Email: pensions.section@highland.gov.uk

We welcome your feedback on any of the services we provide as well as any suggestion of what you would like to see in future editions of our newsletters.