

Annual Benefit Statement 2020

Members Newsletter

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

Welcome to your Highland Pension Fund Annual Benefit Statement Newsletter for 2020.

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

McCloud judgment

'When the LGPS changed from a final salary to a career average pension scheme in 2015, protections for older scheme members were introduced. Similar protections were provided in other public sector pension schemes. The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment'.

The Government is still considering exactly what changes need to be made to remove the discrimination from the LGPS. This means it has not been possible to reflect the impact of the judgment in your annual benefit statement this year. If you qualify for protection it will apply automatically - you do not need to make a claim. For more information, see the [frequently asked questions on the national LGPS website.](#)

Coronavirus (COVID-19) FAQs for LGPS members

The coronavirus pandemic is affecting stock markets, will this affect the value of my LGPS 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 LGPS is a defined benefit pension scheme which means your pension is based on your salary and how long you've paid in. Your pension is not linked to stock market performance, so both your contributions and your pension, whether in payment or not, will be unaffected.

The only exception to this is Additional Voluntary Contributions (AVCs). If you have an AVC, it is possible the value may have reduced - this will depend on the funds you have chosen to invest in. You should contact your AVC provider for more information about this.

I am concerned about my financial situation because of the COVID-19 – what can I do?

The Money Advice Service has published [guidance on how to deal with the financial effects](#) that you may be suffering due to the coronavirus pandemic. It covers all aspects of your finances including problems with paying mortgage and rent payments, debt and claiming benefits.

Can I stop my pension contributions?

Yes, but you might want to consider joining the 50/50 section of the LGPS instead of opting out. If you do, you'll pay half your normal contribution rate and build up half your normal pension. You will retain full life and ill health cover and you can move back to the main section whenever you are ready.

You can use the [contributions calculator](#) to check what difference this would make to your take home pay. If you would like to move to the 50/50 section, you should complete a [50/50 election form](#) and email/return to your employers payroll department.

If after considering the 50/50 section you have decided to opt out of the scheme, you should complete an [opt out form](#) and email/return to your employers payroll department.

You should take independent financial advice before deciding to opt out.

If my pay is reduced, what impact will this have on my pension?

This will depend on the reason for the reduction:

▪ **Sick leave**

If your pay is reduced or you receive no pay because you are off work due to sickness or injury, your pension builds up as though you are receiving the same pay you would have earned, had you not been off sick.

You will continue to pay contributions on any pay you receive during your sick leave.

▪ **Coronavirus job retention scheme leave**

If your employer is required to use the job retention scheme as they are unable to operate or have no work for you to do because of coronavirus (COVID-19), this is known as being 'on furlough'.

If this applies to you, and you receive less pay when you are 'on furlough', the amount of pension you build up during this period will also be reduced. You will continue to pay pension contributions on the pay you receive.

You can pay Additional Pension Contributions (APCs) to buy extra pension to make up for the pension lost during this period. Your employer does not have to pay towards the cost, but they can choose to.

You can find more information about paying APCs, use an online calculator and download an application form from the [LGPS member website](#).

The GOV.UK website provides more information on [the job retention scheme for employees](#).

▪ **Other Reasons**

For information about the impact on your pension if you are away from work for any other reason, such as child related leave or reserve forces leave, see the [LGPS member website](#).

I am receiving a pension from the LGPS, will my pension still be paid to me?

Yes, the Highland Council Pension Fund will prioritise paying pensions during these uncertain times.

Could pension scams increase during the Coronavirus (COVID-19) outbreak?

Yes, watch out for scams related to coronavirus (COVID-19). These scams take many forms and could be about insurance policies, pensions transfers, or high-return investment opportunities, including investments in crypto assets.

Scammers are sophisticated, opportunistic and will try many things. They're also very likely to target the vulnerable. Beware of investments that appear to be too good to be true.

To help protect yourself you should:

- reject offers that come out of the blue
- beware of adverts on social media channels and paid for/sponsored adverts online
- use the [Financial Services Register](#) and [Warning List](#) to check who you're dealing with.
- do not click links or open emails from senders you don't already know
- avoid being rushed or pressured into making a decision
- if a firm calls you unexpectedly, use the contact details on the [Register](#) to check that you're dealing with the genuine firm
- not give out personal details (bank details, address, existing insurance/pensions/investment details).

If you suspect a scam, call [Action Fraud](#) straight away on 0300 123 2040

Accessing your pension benefits from age 55

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 elect for early payment, your 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 [here](#).

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.

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](#).

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](#).

Restricting Exit Payments in the Public Sector

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 consultation took place in April 2019 and the government has recently published its [response](#). The government will proceed in taking forward the regulations through Parliament and guidance for schemes, will be published alongside the regulations coming into force. We will publish future updates on the **News page** of our website.

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 2019/2020 was £40,000 and has stayed the same for 2020/2021.

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 2019/2020 was £1,055,000.00 and was increased for the 2020/2021 tax year to £1,073,100.00.

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

[Annual Allowance factsheet](#)

[Lifetime Allowance factsheet](#)

Further information can be found by visiting the Government website

www.gov.uk

<https://www.gov.uk/tax-on-your-private-pension/annual-allowance>

<https://www.gov.uk/tax-on-your-private-pension/lifetime-allowance>

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 your responsibility to ensure your nominations are kept up to date and line with your wishes.

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

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.