

**Annual Benefit Statement 2018**

**Members Newsletter**

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

Welcome to our Annual Benefit Statement Newsletter for 2018.

This information should be read in conjunction with your annual benefit statement. 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](http://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.

**Changes to the LGPS Scotland from 1 June 2018**

Changes to the LGPS (Scotland) Regulations came into force on 1 June 2018. One of the main changes provides the option for active members to retire from age 55. This means that you must have been an active member on 1 June 2018 for this change to apply to you. If you choose to take your pension before your Normal Pension Age, it will be reduced for early payment in line with early retirement factors (shown below).

If you have more than one record, this change only applies to pension records which ended on or after 1 June 2018. If you left before this date, previous scheme rules apply and the earliest you can access your pension will be age 60. To retire before age 60, you would need your employer’s permission.

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.

**Early retirement reduction factors**

As a guide, the percentage reductions from April 2015 (issued February 2015), for retirements up to 13 years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

|  |  |  |
| --- | --- | --- |
| Number of yearsearly | Pension Reduction (%) | Retirement GrantReduction (%) |
| **Males** | **Females** | **All members** |
| 0 | 0% | 0% | 0% |
| 1 | 6% | 6% | 3% |
| 2 | 11% | 11% | 6% |
| 3 | 16% | 15% | 8% |
| 4 | 21% | 20% | 11% |
| 5 | 25% | 24% | 14% |
| 6 | 29% | 28% | 16% |
| 7 | 33% | 31% | 19% |
| 8 | 36% | 35% | 21% |
| 9 | 39% | 38% | 23% |
| 10 | 42% | 41% | 26% |
| 11 | 46% | 44% | 26% |
| 12 | 49% | 47% | 26% |
| 13 | 52% | 50% | 26% |

**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 scheduled to take place. They have stated that the reforms could still come into force during 2018. 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 £6,565 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/>

**The Highland Council Pension Fund’s funding position**

The UK Government's Public Service Pensions Act requires that a valuation of the Scheme must be undertaken every three years to measure the costs of the benefits being provided. The results are used to establish employer costs and to secure the ongoing viability the fund. During 2017, the Highland Council Pension Fund undertook its triennial review.

Following the completion of our valuation as at 31 March 2017 we are pleased to inform you that our funding level has increased from 96% in 2014 to 101% in 2017. Of the 11 LGPS funds in Scotland, we represent one of six funds which have fully funded assets. This means we have sufficient assets to pay for all the accrued benefits in our fund. The LGPS generally achieves an average funding ratio of 95%.

A copy of the latest valuation report and pension fund accounts can be found on the **forms and publications** area of our website [www.highlandpensionfund.org](http://www.highlandpensionfund.org)

**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 2017/2018 was £40,000 and has stayed the same for 2018/2019.

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 2017/2018 was £1 million and was increased for the 2018/2019 tax year to £1,030,000.

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](http://www.gov.uk)

**General Data Protection Regulations (GDPR)**

GDPR is a new set of regulations which came into force on 25 May 2018. Within the UK these regulations make up part of the new data protection Act 2018. GDPR changes how businesses process and handle data. The main aim of these changes is to simplify data privacy laws, while giving greater protection and rights to individuals.

**How does GDPR affect me?**

To look after your pension benefits, we hold certain information about you including:

* Contact details, including your name, address, phone number and email address
* Identifying details, including your date of birth and National Insurance number
* Information about your benefits in the fund, including length of service and salary
* Other information to do with your membership of the fund, which helps us to calculate or pay benefits, for example your bank account details.

We get some of this personal information direct from you. We may also get information from your employer (for example, information about your salary) and from other sources, including public databases.

We use this personal information to manage the fund, to calculate pension benefits for you (and any beneficiaries when you die) and to keep to our legal obligations.

As a member of the LGPS you are unlikely to notice any changes with the introduction of GDPR. This is because we already have procedures in place, under the previous Data Protection Act. The introduction of GDPR simply means that the current requirements on data protection are reinforced.

To find out more about GDPR and to view our privacy notice, please visit our website:

<http://www.highlandpensionfund.org/media/3864/what-is-gdpr-faq.pdf>

<http://www.highlandpensionfund.org/media/3867/gdpr-privacy-notice-pensions.pdf>

**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. 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](http://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.

**Our Contact details**

The Pensions Section

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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.