

Annual Benefit Statement 2021

Members Newsletter

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

Welcome to your Highland Pension Fund Annual Benefit Statement Newsletter for 2021.

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 us 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

If you commence employment after 31 March 2021, you will not receive a benefit statement until next year.

McCloud judgment – no further updates at present

'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 again 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.](#)

Restricting Exit Payments in the Public Sector - update

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.

The Government has formally issued regulations to revoke the restriction of Public Sector Exit payments. These regulations came into force on 19th March 2021. The government expects to review the proposals and any future updates will be published on the **News page** of our website.

Money Helper

The Pensions Advisory Service, Pension Wise and the Money Advice Service have been replaced with a single service called Money Helper.

Money Helper is a free to use service, backed by the government providing independent support and guidance to help people understand their pensions options. Visit the Money Helper website <https://www.moneyhelper.org.uk/en> to find out more.

Protect yourself against pension scams

Pension scams, where people may be tricked into handing over their pension pots by scammers, are on the increase; millions of people fall victim to scams every year. The tactics used by pension scammers to encourage people to transfer their pension savings to them are constantly changing. Scammers are sophisticated, opportunistic and will try many things. They're also very likely to target the vulnerable. Some of the tactics include offering free pension reviews, health checks and promises of better returns on their savings, pension loans, upfront cash or other promotions to tempt them. Most of these are bogus.



**Beware of
pension
scams**

Once you've transferred your money into a scam, it's too late. You could end up losing all your pensions savings and, in some cases, face a tax bill of up to 55%.

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.
- 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).

The Pensions Regulator provides tips on how you can protect yourself against the pension scammers - you can visit their website by clicking [here](#).

If you suspect a scam, call Action Fraud straight away on 0300 123 2040

Accessing your LGPS 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. Normal Pension Age is the date in which you can receive your benefits without a reduction; for active members this is usually the same as your State Pension Age; for deferred members, the date your benefits are payable from is shown on your benefit statement.

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 three ways you can increase the pension benefits you receive from the scheme.

Buy extra pension

You can buy extra pension right up to a maximum of £7,040 per annum (2021/22 rate) 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](#).

Shared Cost AVC (SCAVCs)

If you are a Highland Council or Highlife Highland Employee, you have access to a Shared Cost Additional Voluntary Contribution (Shared Cost AVC) scheme facilitated by AVC Wise. Shared Cost AVCs are paid into a separate pot of money that sits alongside your pension. This pot of money is held and invested on your behalf by Prudential. How does it work?

1. You choose how much and where your money is invested each month¹
2. You agree to 'salary sacrifice' the equivalent amount which means you save on Income Tax and National Insurance contributions. A £100 contribution only costs you £68.12².
3. This money is sent to Prudential who hold and invest this money for you
4. You can amend your contribution amount and change your investment choices at any time
5. There are many ways you can withdraw your money at age 55 onwards, including taking it as a tax-free lump sum³

For more information visit and register at www.avcwise.co.uk

¹The value of an investment can go down as well as up.

²Based on a basic-rate taxpayer.

³Dependent on the combined value of other LGPS benefits.

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 2020/2021 was £40,000 and has stayed the same for 2021/2022.

The pension section will calculate the amount of annual allowance you have used at the end of each pension input period. If you think any of the pay information used to calculate the benefits on your statement is incorrect, **you must inform us as soon possible**. Any increase in pay (including a backdated pay award, promotion or increased AVC contribution) will have a significant impact on your Annual Allowance. It is your responsibility to inform the pension section of any inaccuracies in the pensionable pay so that we can recalculate the amount of your annual allowance used.

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. If you are thinking about increasing your AVCs or accepting a promotion, you can contact us to check how this will affect your future annual allowance.

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. Chancellor Rishi Sunak announced in his spring budget that the lifetime allowance (LTA) has been frozen for 5 years at £1,073,100 until April 2026.

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

[Annual Allowance factsheet](#)

[Lifetime Allowance factsheet](#)

You can also visit HMRC's tax information pages <https://www.gov.uk/tax-on-pension>.

<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 in 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
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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.