



Highland Pension Fund

Annual Benefit Statement – Frequently asked questions (FAQs)

This document has been designed to accompany your Local Government Pension Scheme (LGPS) (Scotland) Annual Benefit Statement 2023. It explains how the pension figures on your statement have been worked out and aims to answer most frequently asked questions.

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What is an annual benefit statement?

As a contributing member in the Local Government Pension Scheme (LGPS) (Scotland), you will receive an active benefit statement for each active employment you hold. Your statement provides an estimated value of the pension benefits you have built up in the LGPS up to 31 March 2023. It also provides a projection of the pension benefits you could build up if you remained working and contributing to the scheme, assuming no changes in hours or pay, until your Normal Pension Age.

What is Normal Pension Age?

Normal Pension Age in the LGPS is the date you can retire and receive all your pension benefits without a reduction. Normal Pension Age falls in line with your State Pension Age. You can check your State Pension Age using the Governments online calculator www.gov.uk/state-pension-age

What is a deferred benefit statement?

If you have previously contributed to the LGPS and have subsequently left that employment, or opted out of the scheme, you will hold a deferred benefit entitlement in respect of that period of membership. Your deferred benefits are increased in line with the Pension Increase (PI) Review Order each April to make sure they keep pace with the cost of living. You will receive a deferred benefit statement each year telling you the current value of your pension benefits and the date they will become payable.

What is the Pension Increase (PI) Review Order?

HM Treasury issue a Pensions Increase (PI) Review Order to Public Service pension schemes like ours which tells us how much we should increase your pension by. The Order is currently linked The Consumer Price Index (CPI).

What is the Consumer Price Index (CPI)?

The Consumer Price Index is the measure currently used to increase your Local Government Pension. The increase is based on the CPI at the previous September. CPI at September 2022 was 10.1% which means that your pension benefits have been increased by 10.1% from 10 April 2023.

Why do I not have an annual benefit statement?

You will not receive a statement if:

- you joined the LGPS after 31st March 2023 – your first annual benefit statement will be available to view next year.
- your pension is already in payment.
- we have an outstanding query or action to process on your pension record.

My personal details are incorrect, what should I do?

You should check the personal details section on your statement carefully and inform us as soon as possible if any of the information we hold about you is incorrect. All changes must be made to us in writing and accompanied by the relevant certificate. Our contact details can be found at the end of this document.

How is my pension entitlement calculated?

The Local Government Pension Scheme (Scotland) was a Final Salary pension scheme until 31 March 2015. From 1 April 2015 it became a Career Average Revalued Earnings (or CARE) scheme. This means that if you were a member before 1 April 2015, your pension benefits will be calculated in two parts, based on:

- Final salary membership
- CARE (Career Average Revalued Earnings) membership

What is final salary membership?

You will have final salary membership if you were a member of the scheme before 1 April 2015, or if you brought a transfer into the LGPS which purchased final salary membership. The final salary membership stated on your annual benefit statement is the period you have been a member of the LGPS, from the date you joined the scheme, to 31 March **2015**. This figure also includes any previous pension rights you transferred into the LGPS from a previous pension provider which counted as final salary membership. If you worked part-time during any of this period, your membership is scaled down to reflect your part-time hours and counts as a proportion of full-time.

If you were not a member of the LGPS before 1 April 2015 (or have not brought a transfer into the LGPS which purchased final salary membership), you will not have built up any benefits in the final salary section of the scheme, therefore, the final salary membership stated on your annual benefit statement will show as 0 years 0 days.

What is final pensionable pay?

This is the pay used to calculate your final salary benefits. The full-time equivalent pay is used even if you work part-time and includes your normal pay, contractual shift allowances, bonus, and contractual overtime. It does not include non-contractual overtime. As your statement is based on your circumstances at 31 March 2023, the pay quoted on your benefit statement is based on your earnings for the period from 1 April 2022 to 31 March 2023 (not your current pay). You can check if the pay used is correct, by checking this figure against your P60 certificate from your employer (remember that if you worked part-time, this figure will be the full time equivalent).

How is my final salary pension and lump sum worked out?

Membership before 1 April 2009

For each year of membership before 1 April 2009, you will receive a pension of 1/80th of your final pensionable pay and an automatic lump sum of 3/80th of your final pensionable pay:

The example below shows how we work this out, based on:

- a member with 15 years membership up to 31 March 2009
- with a final pensionable pay of £25,000

Annual pension	=	15 years x £25,000 ÷ 80	=	£ 4,687.50
Automatic lump sum	=	15 years x £25,000 ÷ 80 x 3	=	£14,062.50

Membership between 1 April 2009 to 31 March 2015

For each year of membership from 1 April 2009 to 31 March 2015, you will receive a pension of 1/60th of your final pensionable pay. There is no automatic lump sum for service built up after 1 April 2009. Although there is no automatic lump sum, when you come to retire, you can choose to convert some of your annual pension to provide a lump sum.

The example below shows how we work this out, based on:

- a member with 6 years membership between 1 April 2009 to 31 March 2015
- with a final pensionable pay of £25,000

Annual pension	=	6 years x £25,000 ÷ 60	=	£2,500.00
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You can find out how much your total final salary pension and automatic lump sum is at 31 March 2023 on your annual benefit statement.

How is my CARE pension worked out?

From 1 April 2015, the LGPS became a Career Average Revalued Earnings (or CARE) scheme. You will receive a pension of 1/49th of your actual earnings over each scheme year. This amount is 'banked' at the end of each scheme year and revalued each April in line with inflation (CPI).

The example below shows how we work out CARE pension:

Scheme Year	Opening Balance	Build up in Scheme Year (pay ÷ build up rate = pension)	Total account 31st March	Cost of Living adjustment	Total pension
2015/16	£0.00	£20,000 ÷ 49 = £408.16	£408.16	-0.10%	£407.75
2016/17	£407.75	£20,500 ÷ 49 = £418.37	£826.12	1.0%	£834.38
2017/18	£834.38	£21,000 ÷ 49 = £428.57	£1,262.95	3.0%	£1,300.84
2018/19	£1,300.84	£21,500 ÷ 49 = £438.78	£1,739.62	2.4%	£1,781.37
2019/20	£1,781.37	£22,000 ÷ 49 = £448.98	£2,230.35	1.7%	£2,268.27
2020/21	£2,268.27	£22,500 ÷ 49 = £459.18	£2,727.45	0.50%	£2,741.09
2021/22	£2,741.09	£23,000 ÷ 49 = £469.39	£3,210.48	3.10%	£3,310.00
2022/23	£3,310.00	£23,500 ÷ 49 = £479.59	£3,789.59	10.10%	£4,172.34

So, in this example, the total annual pension built up over the 8 years to 31 March 2023 is **£3,789.59**. Although your benefits have been increased by 10.10% this year, it will not show on your annual benefit statement until next year. This is

because your annual benefit statement is based at 31 March 2023 and the cost of living adjustment does not take place until April 2023.

You can find out how much your total CARE pension is at 31 March 2023 on your annual benefit statement.

If you elected to join the 50-50 section of the scheme (where you pay half the normal rate of contributions), you will receive half (or 1/98th) of the amounts shown above for the period of your election.

There is no automatic lump sum in the CARE Scheme. However, when you come to retire you can choose to convert some of your annual pension to provide a lump sum.

Why do I have no lump sum showing on my annual benefit statement?

You will only have an automatic lump sum if you have membership before 1 April 2009.

Can I convert part of my pension to lump sum at retirement?

Upon retirement, you will have the option to convert part of your annual pension to provide a lump sum. For every £1 of pension you give up, you will receive £12 of tax-free lump sum. There is a limit on how much tax-free lump sum you can take - this limit is set by HM Revenue and Customs. Your annual benefit statement shows the maximum lump sum you can receive and the reduced annual pension.

Can I convert my lump sum to increase my pension at retirement?

The scheme rules do not permit this.

Why is the value on my 2023 annual benefit statement less than last year?

There may be a number of reasons why the values are less than last year. It may be that we received incorrect data from your employer about your working hours or pay, and that has now been corrected. If you have moved to the 50-50 section of the scheme within the last year, your projected benefits will now be lower as they assume you will remain in that section until you leave. If you have final salary membership (membership before 1 April 2015) and you have moved to a lower paid job, the calculation of your final salary benefits is linked to your final pay, so these benefits will now be lower.

Why is some of my membership missing from my annual benefit statement?

You may hold more than one pension record, one for each separate employment. You will receive a separate annual benefit statement for each period of membership you hold. You may also hold separate deferred benefits for a previous period of employment which were not joined up with your current membership. If you have worked part-time, your membership is scaled down to reflect your part-time hours and will count as a proportion of full-time.

Can I join all my pension records into one?

If you have multiple employments, you will receive a separate benefit statement in respect of each employment you hold. We are required by law to keep your pension records for each employment separate, even if they are with the same employer. If you leave one or more of your jobs, you may have the option to join your records together, this will depend on the type and dates of membership. If you think this may apply to you, please contact us. Our contact details can be found at the end of this document.

Why is my transfer not showing on my annual benefit statement?

If you transferred in membership before 1 April 2015 (or you brought a transfer into the LGPS which purchased final salary membership), the transfer will be included as part of your final salary membership on your annual benefit statement. Any transfers which take place after 1 April 2015 purchase an amount of CARE pension. Any transfers buying CARE pension which were received during the last year (1 April 2022 to 31 March 2023) will show on your annual benefit statement under the heading 'transfers in'. If your CARE transfer was completed before this date, the amount is included on your annual benefit statement under the heading 'previous years closing balance'. If your transfer was not completed by the time your annual benefit statement was produced, it will be included on your statement next year. In all cases, once a transfer is completed, a statutory notification is issued to you to confirm that the transfer has taken place.

Why are my Additional Voluntary Contributions (AVCs) not showing on my annual benefit statement?

AVC statements are produced by your AVC provider and will be sent to you separately each year. If you have not received an AVC statement, you can contact Prudential directly on 0800 032 6674 or visit their website for more information: www.pru.co.uk/rz/localgov/avcs.

I have bought extra pension, where can I see this on my annual benefit statement?

If you elected to buy Added years or Additional Regular Contributions (ARCs) before 31 March 2015, then the amount of pension you have purchased will be included along with your final salary benefits on your annual benefit statement. If you are still making these contributions, only a proportion of the amount you have purchased so far will be included on your annual benefit statement at 31 March 2023. If you have elected to pay Additional Pension Contributions (APCs), any additional contributions you have made in the last year (1 April 2022 to 31 March 2023) will show on your annual benefit statement under the heading 'additional pension bought'. Any APCs you have made prior to this date are included with your CARE pension under the heading 'previous years closing pension'.

What if I have a certificate of protection?

If you have received a certificate of protection from your employer following a permanent reduction to your pensionable pay, an increase may apply to your benefits when you leave the scheme in respect of a previous year's higher pay. It is not possible for us to include any increases you may eventually receive on your annual benefit statement, however when you do come to leave the scheme, if your certificate remains valid, the increases will be applied to the benefits we pay you.

What if I have a Pension Sharing Order?

Due to software capabilities in the bulk generation programme, the amounts quoted in your annual benefit statement do not take account of any debits arising from a pension sharing order. The amount of the debit will be calculated when your benefits are paid to you. If you are approaching retirement age, you can request an individual estimate which will show the current value of the debit and the resulting pension and lump sum. Estimate requests must be made in writing or by email, contact details can be found at the end of this document.

What if I have made a ‘Scheme Pays’ election?

If you have elected for the scheme to pay an annual allowance tax charge to HMRC on your behalf, a ‘scheme pays’ debit will have been applied to your pension record. Due to software capabilities in the bulk generation programme, the amounts quoted in your statement do not take account of any debits arising from your “scheme pays” election. The amount of the debit will be calculated when your benefits are paid to you. If you are approaching retirement age, you can request an individual estimate which will show the current value of your ‘scheme pays’ debit and the resulting benefits. Estimate requests must be made in writing or by email, contact details can be found at the end of this document.

Does the current value of my benefits at 31 March 2023 mean that is how much I will get if I leave now?

No. Your annual benefit statement shows the estimated value of the benefits you have built up without taking account of any early retirement reductions. If you choose to take your pension benefits before your Normal Pension Age, a reduction will be applied to take account of your pension benefits being paid early and for longer. These reductions are set by the Government Actuaries Department (GAD) and can change at any time. You can view the latest early reduction percentages on our website <https://www.highlandpensionfund.org/news/changes-to-late-retirement-factors/>

I am thinking of retiring. Can I make a decision based on the information provided on my statement?

Your statement is purely an illustration of what you might receive when you eventually retire. You should not use it to make any financial decisions. The information provided on your statement is mass produced and is based on pay information we have received from your employer and may not account for all adjustments affecting your pay. Adjustments including periods of unpaid leave, acting up payments, some salary sacrifice arrangements and adjustments which took place during the 2022-23 tax year in respect of a previous tax year may affect the pay used to calculate the pension benefits in your annual benefit statement. If you are thinking of retiring, you can request an individual estimate at a specific date. The pension team will check the pensionable pay held on your pension record to ensure that any adjustments have been treated correctly before calculating your estimate, we will also include any relevant reductions for early payment which may apply. Estimate requests must be made in writing or by email, contact details can be found at the end of this document. In all cases, we strongly recommend that you obtain independent financial advice before making any financial decisions.

What are death in service benefits?

Should you die whilst an active member of the scheme, a lump sum death grant of 3 times your actual pay will usually become payable to your estate and an estimate of this amount (based on your actual pay at 31 March 2023) is stated on your annual benefit statement. If you are (also) a deferred member, the lump sum death grant can be found on your deferred benefit statement. If you are active member who also holds a deferred benefit, the lump sum payable will be the higher of the two death grants. You can instruct the pension fund to pay the death grant directly to a nominee or nominees of your choice by completing a lump sum death grant nomination form. A nomination form can be found on our website www.highlandpensionfund.org. Alternatively, you can request a form by email or telephone. Our contact details can be found at the end of this document. The LGPS also provides a pension to your surviving partner in the event of your death. A surviving partners pension may become payable to your husband, wife, civil partner or cohabiting partner. A projection of this amount (based on your membership at 31 March 2023) can be found on your annual benefit statement. More information on survivor's pensions can be found on our website: www.highlandpensionfund.org/your-pension/paying-in/survivor-benefits/

How do I contact you to discuss my pension in more detail?

There are several ways to contact us if you need help with your pension.

Telephone: 01463 702441

Our team are available from 9am to 5pm, Monday to Friday.

Email: mypension@highland.gov.uk

Write to us at: Highland Pension Fund, The Highland Council Headquarters, Glenurquhart Road, Inverness, IV3 5NX.

In person visits:

Our office is open to visitors from 9am to 5pm Monday to Friday. Appointment bookings are not necessary but can be made by email or telephone.

Where can I find out more information?

You can find more about the Local Government Pension Scheme by visiting the National LGPS Scotland website at www.scotlgpsmember.org

Here you will find:

- [tools and calculators](#)
- [frequently asked questions](#)
- [a glossary of common pension terms](#)
- [short videos to learn about the LGPS](#)

We also have a dedicated Highland Pension Fund website which you can visit at www.highlandpensionfund.org.

All our member forms, guides and factsheet are published on our website and can be viewed, printed or downloaded from the resources section at any time www.highlandpensionfund.org/resources/

Disclaimer

The statements are mass produced and these notes cannot cover every personal circumstance and in the event of any dispute over your statement, the appropriate legislation will prevail.

The information provided is not intended to give you financial advice as the Highland Council is not regulated under the Financial Services Act and so we strongly recommend that you obtain independent financial advice before making any financial decisions.