

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

Welcome to your Highland Council Pension Fund Annual Benefit Statement Newsletter for 2022.

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 inaccuracies.

To view your statement, log on or register here www.highland.gov.uk/pensionsonline

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.

If you commenced employment after 31 March 2022, you will not receive a benefit statement until next year.

McCloud judgment – latest update

When the Government reformed public service pension schemes in 2014 and 2015, the LGPS changed from a final salary to a career average pension scheme and protections were introduced for older scheme members. In December 2018, 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. As a result, the



Government has confirmed that changes would be made to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment' after a member of the Judges' Pension Scheme involved in the case.

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The Act provides powers for Government to rectify the McCloud age discrimination across all affected public service pension schemes. The regulations are expected to come into force from 1 October 2023 with retrospective effect from 1 April 2015 for the LGPS in Scotland.

If you qualify for protection, you do not need to make a claim, when you come to retire or leave the scheme, we will automatically perform a check and apply any increase to your pension at this time. If you have already left the scheme or retired, we will automatically perform a check and apply any increase to your pension - this will be backdated to the date you left. Most members are unlikely to see an increase to their pension, and where an increase is applied, it is likely to be small. This is because most members build up a higher pension in the CARE scheme than they would have under the final salary scheme.

It has not been possible to reflect the impact of the judgement in your annual benefit statement this year, but we do hope that our software providers will enable this for next year.

Please be aware that there are some companies actively encouraging members to make an employment tribunal claim. You do not need to do this. These claims could be costly and are unnecessary because, if you have been affected you automatically benefit from any protection that's provided and you risk sharing any benefits you would automatically receive with a third party.

New regulations introduced to combat pension scams

The introduction of the Occupational and Personal Pension Schemes (Conditions for Transfers) 2021 Regulations came into force on 30 November 2021. The new regulations introduced tighter controls on transferring your LGPS pension benefits and sets out conditions which must be met before a transfer can take place, this includes signposting members to appropriate guidance and scam advice.

Further guidance was introduced with effect from 1 June 2022 – this guidance is known as the “Nudge Regulations”. These regulations are to help defined contribution (DC) savers make better decisions at retirement. The Nudge regulations affects LGPS members when they apply to take payment or transfer their AVC pots. Before you can access or transfer your AVCs, you will be offered a free Pension Wise guidance appointment with MoneyHelper. The appointments are free of charge and are designed to help you understand your pension options.



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 service backed by the government. They provide independent support and impartial guidance about money and pension choices. They also help with everyday money and budgeting, debt advice and benefits. Visit their website to find out how they can help: www.moneyhelper.org.uk/en.

Pension scams destroy lives - keep your pension safe

Pension scams are on the increase and millions of people fall victim to these scams every year! Fraudsters are singling out people like you and tricking them into handing over their pension pots.

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 are also very likely to target the vulnerable. Some of the tactics include offering free pension reviews, health checks and promises of better returns on savings, pension loans, upfront cash, or other promotions to tempt you. Most of these are bogus.



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.
- not click links or open emails from senders you don't already know.
- use the Financial Services Register and Warning List to check who you're dealing with.
- avoid being rushed or pressured into making a decision.
- if a firm calls you unexpectedly, use the contact details on the Financial Services 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 (TPR) provides tips on how you can protect yourself against pension scammers. You can read their booklet on how to spot a pension scam [here](https://www.thepensionsregulator.gov.uk/en).

Visit the Pension Regulator website for more information: www.thepensionsregulator.gov.uk/en

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

The minimum pension age is increasing

The government has published the Finance Bill 2021-22 which aims to increase the Normal Minimum Pension Age (NMPA) for scheme members from age 55 to age 57 with effect from 6 April 2028. NMPA is the earliest date you can choose to take payment of your pension.

If you were in the LGPS before 4 November 2021, you may still be able to take your pension from age 55 if you choose to, however the scheme's regulations will need to be amended to allow for this change.

We will keep you updated through our website news page and future newsletters. This change will not affect members who apply for Ill health retirement – they can continue to retire at any age (providing they meet the relevant criteria).

Accessing your LGPS pension benefits

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 LGPS 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 (you can check your state pension age [here](#)); for deferred members, the date your benefits are payable from is shown on your deferred benefit statement. To view your benefit statement, you can log on or register at www.highland.gov.uk/pensionsonline.

If you elect for early payment, your benefits will be reduced to take account of the fact that your 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 reductions applied to both pension and lump sum can be found [here](#). If you qualify for Rule of 85 protections, this will only apply to benefits taken from age 60, even if you meet the rule of 85 before age 60. You can find out more about Rule of 85 protections [here](#).



If you are thinking about or starting to plan for your retirement, please take a look at our recently published [Retirement Planning Guide](#). The guide can be view or downloaded from the [resources](#) section our website: www.highlandpensionfund.org.

The guide covers all aspects of retiring from the Local Government Pension Scheme including the retirement process, how your retirement benefits are worked out, your options about increasing your tax free lump sum, expected timescales and payment dates.

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 choose to buy extra pension up to a maximum of £7,075 per annum (2022/23 rate - this figure is increased 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)

An AVC plan is a separate pot of money you build up alongside your LGPS benefits that aims to give you extra retirement benefits. If you pay tax, you will benefit from tax savings as the contributions you make are taken from your salary before tax. The additional contributions are deducted from your pay and are paid into a separate AVC pot. AVCs are flexible and you can start, stop, or change the amount you pay at any time. The size of your AVC pot will depend on how much you pay in, how long you pay in for, the impact of costs, charges and how well the fund(s) 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: www.pru.co.uk/rz/localgov/avcs

Shared Cost Additional Voluntary Contributions (SCAVCs)

AVC Wise facilitates a salary sacrifice Shared Cost AVC scheme on behalf of our scheme employers. The main advantage of joining a Shared Cost AVC scheme is that you can save money in both Income Tax and National Insurance Contributions. The contributions are deducted from your salary and are paid into a separate pot of money that sits alongside your LGPS pension. This pot of money is held and invested on your behalf by Prudential.

How does it work?

- You choose how much and where your money is invested each month.
- 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 £68.12 (based on a basic rate taxpayer).
- This money is sent to Prudential who hold and invest this money for you.
- You can amend your contribution amount and change your investment choices at any time.
- There are many ways you can withdraw your money at age 55 onwards, including taking it as a tax-free lump sum (dependent on the combined value of other LGPS benefits).

Contact your employer to find out if they participate and for details on how to join. For more information, please visit www.avcwise.co.uk/

Tax limits on your pension

HM Revenue and Customs (HMRC) imposes two controls on the amount of pension savings you can make without having to pay extra tax. These controls are known as:

- The annual allowance, and
- The lifetime allowance.

This is in addition to any income tax you pay on your pension once it is being paid to you.

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 2021/2022 was £40,000 and has stayed the same for 2022/2023.

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 annual benefit statement is incorrect, **you must inform us as soon possible.**

Any increase in pay (including a backdated pay award, a promotion, a transfer in of previous membership) or, if you start paying a high level of additional contributions, will have a significant impact on your Annual Allowance. It is your responsibility to inform the pension section of any inaccuracies in pensionable pay or AVC contributions recorded on your benefit statement so that we can recalculate the amount of annual allowance you have used.

All high earners/contributors should make themselves aware of annual allowance, as it is one of the main causes of unexpected tax bills at the end of the tax year. Annual Allowance is a personal responsibility and if you have to pay a tax charge, you are responsible for declaring this charge to HMRC on your self-assessment tax return. The pension fund is unable to assist members with this process and it is recommended that you seek appropriate tax advice from a regulated financial advisor who specialises in pension tax.

Annual Allowance applies to all of your pension savings, therefore, if you have more than one pension, you must add the pension growth from all your savings together to determine your total annual allowance used during each tax year.

If you think you might be getting close to your annual allowance or you might have exceeded it, consider seeking advice from a regulated financial adviser as soon as possible. They can help you understand how much your annual allowance is including any unused amounts, whether you've exceeded your annual allowance, if there may be options to reduce any potential charge and look at your options for paying any tax charge that may be due.

If your pension savings in the LGPS exceed the annual allowance limit for the 2021/22 tax year, we will send you a pension savings statement by 6 October 2022. If you have a tax charge to pay, the statement will explain the options available to you in relation to the tax charge. If you do not automatically receive a statement, you can request one at any time.

For more information, download our fact sheet on [Annual Allowance](#) from the [resources](#) section of our [website](#).

Lifetime Allowance

Your Lifetime Allowance is the overall limit on the amount of pension savings in all pension schemes 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, in respect of your LGPS pension benefits 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 2021 spring budget that the level of Lifetime Allowance has been frozen for 5 years at £1,073,100 until April 2026.

Your Lifetime Allowance will be calculated by us when you start drawing your pension benefits from the scheme. Every time you start taking a pension, its value will be compared against your remaining Lifetime Allowance to check if there is tax to pay.

For more information, download our fact sheet on [Lifetime Allowance](#) from the [resources](#) section of our [website](#).

More information

You can find more information about tax on your pension contributions on the Government's website:

www.gov.uk/tax-on-pension.

www.gov.uk/tax-on-your-private-pension/annual-allowance

www.gov.uk/tax-on-your-private-pension/lifetime-allowance

The MoneyHelper website contains useful guidance on tax and pensions:

www.moneyhelper.org.uk/en/pensions-and-retirement
www.moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/tax-and-pensions

Before considering any action to reduce your tax liabilities, you should always seek regulated independent financial advice from a Financial Conduct Authority registered adviser. For help in choosing an independent financial adviser visit the [MoneyHelper](#) website.

Is your death benefit nomination up to date?

If you die in service, there is usually a one-off lump sum death grant payable to your next of kin. This is calculated as 3 times your annual pensionable pay. If you are (also) a deferred member, the lump sum death grant payable can be found on your deferred annual benefit statement. If you are an active member who also holds a deferred benefit, the lump sum payable will be the higher of the two available death grants.

The main advantage in completing a lump sum death grant nomination form is that it helps the Highland Council Pension Fund to pay the death grant more quickly without forming part of your estate (i.e. it does not count for inheritance tax purposes). The Highland Council Pension Fund must retain absolute discretion as to the distribution of the death grant. In the majority of cases, payment will simply be made in accordance with your nomination, however there may be circumstances which prevent us from doing so (for example, if your nominee predeceases you), therefore it is extremely important to keep your nomination up to date.

You can tell us who you would like to nominate to receive the lump sum death grant payment, by completing a [nomination form](#). Our nomination form can be found on the [resources](#) section of our website www.highlandpensionfund.org/resources. Alternatively, you can request a form by email or telephone (our 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.**

The lump sum death grant nomination form only applies to the death grant lump sum; it does not affect the payment of any pension for any dependants on your death. A survivor's pension may be payable to your husband, wife, civil partner or cohabiting partner as well as your dependent children. More information on survivor's pensions can be found on our website www.highlandpensionfund.org/your-pension/paying-in/survivor-benefits/

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 kept up to date, please contact us as soon as possible to inform us of a change of address, a name change, change of marital status or any other key information that you think we should know about.

The Pension Scheme Regulations

A copy of the current Local Government Pension Scheme (Scotland) Regulations can be found by visiting: www.scotlgpsregs.org/schemeregs/lgpsregs2018/timeline.php

Pensions Dashboard

The Pension Schemes Bill has passed into law legislative framework called the Pensions Dashboard Regulations. These regulations introduce the requirement for pensions schemes to make pension data available to members through a digital pension dashboard service.



Pensions dashboards will be an online, secure platform for members to view information about all their pension savings together in one place, including their state pension. It is estimated that individual's build-up 11 different pension pots in their lifetime and it can be difficult to keep track of them all.

There are currently over 32,000 pension schemes in the UK so it would be unrealistic to have them all brought onto the dashboard at the same time, so the process will be staggered. Consultations are still ongoing, but it is expected that schemes will start to connect with dashboards from April 2023 starting with larger schemes. Public Service Pension Schemes, including the LGPS are expected to connect from April 2024.

Our software provider, Heywood Pension Technologies have been working as part of the software providers working group since June 2020 and have been announced as an Alpha provider in the Pensions Dashboards Programme. We will keep you informed of the latest developments through our website [news page](#) and future newsletters.

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 of the fund. During 2020, the Highland Council Pension Fund undertook its triennial review.

Following the completion of our valuation at 31 March 2020 we are pleased to inform you that our funding level is sitting at 100%. This means we have sufficient assets to pay for all the accrued benefits in our fund. The LGPS funds across Scotland generally achieves an average funding ratio of 95%.



A copy of the latest [valuation report](#) and pension fund accounts can be found on the [resources](#) section of our [website](#).

The next valuation is due to take place as at 31 March 2023. The report should be available at the start of 2024 and will be published on the [resources](#) section of our [website](#).

How we invest

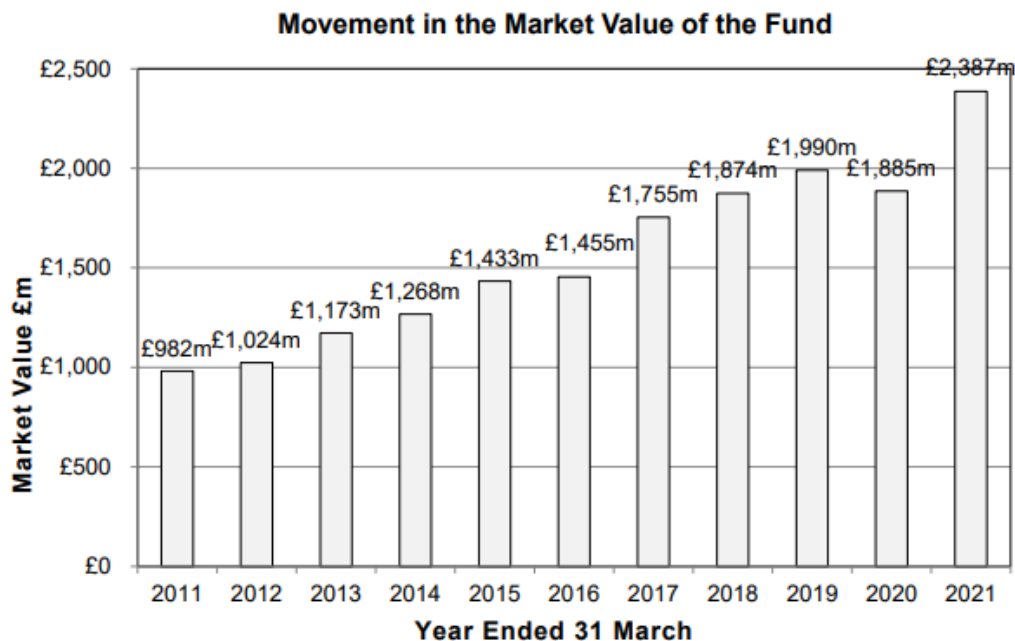
There are regulations which govern how Local Government Pension funds can be invested to make sure these are spread across a range of asset classes.

Information on these regulations and how we invest can be found in the [Statement of Investment Principles](#) and is available on the [resources](#) section of our website. We publish a list of all our investments every quarter on our [website](#). A list of investments at 30 June 2022 can be found [here](#).

The value of our investments has increased over the last 12 years (see the graph below). Note that this graph only represents investments, all other assets are included in the information on the next page, Key facts and figures.

Investment performance

In terms of investment performance, over the last 5-year period the returns average out as 7.5% each year (against a benchmark target of 7.3%)



Alongside the duty to act in the best financial interest of members, is it important that the impact of Ethical, Social and Governance (ESG) risks are assessed and managed. Our approach to managing these risks and Responsible Investing is set out in our [Responsible Investment policy](#).

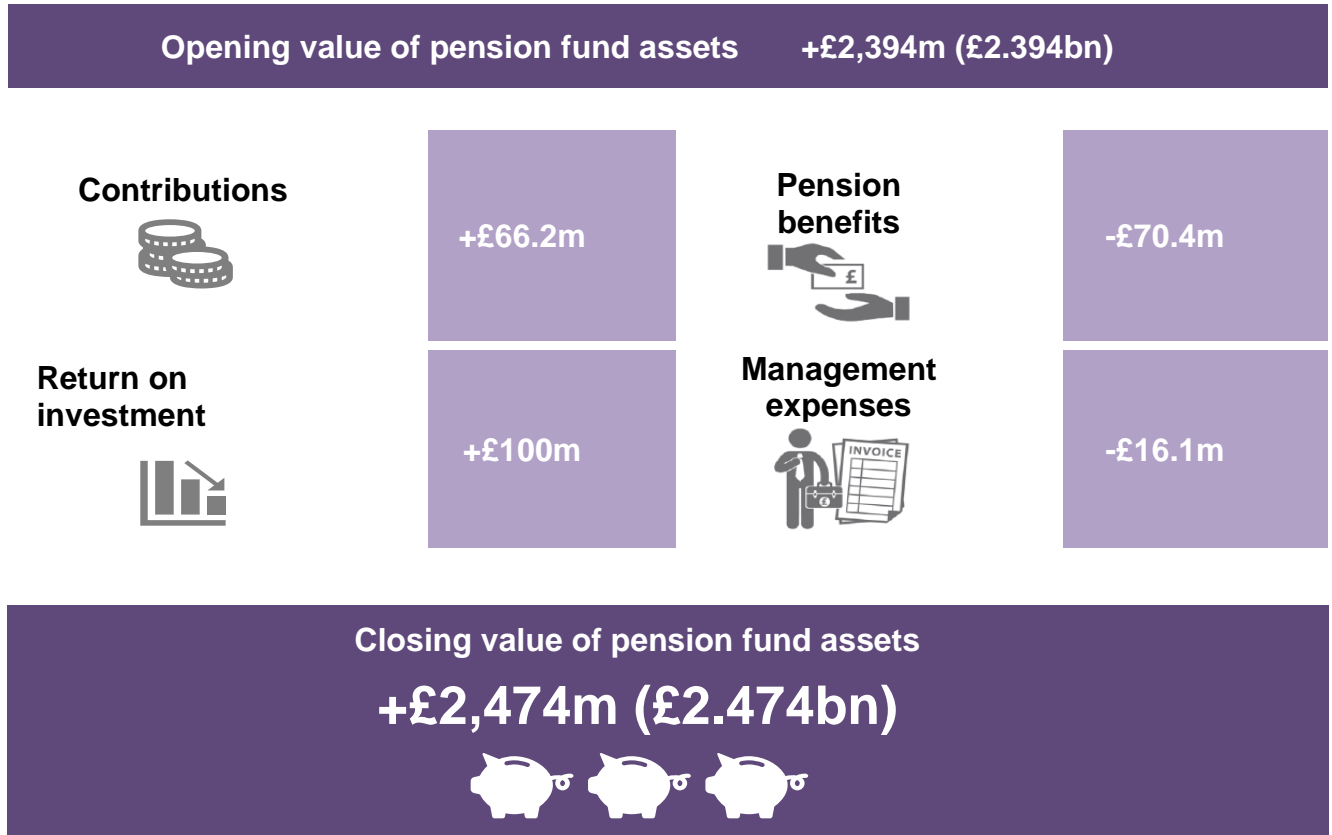
The Highland Council Pension Fund recognises the risks associated with climate change and the potential for these to impact on the long-term value of the fund. During the last financial year, we made some changes to investments to reduce the carbon holdings in the portfolio and an integral part in the process of appointing new fund managers is considering their approach to ESG.



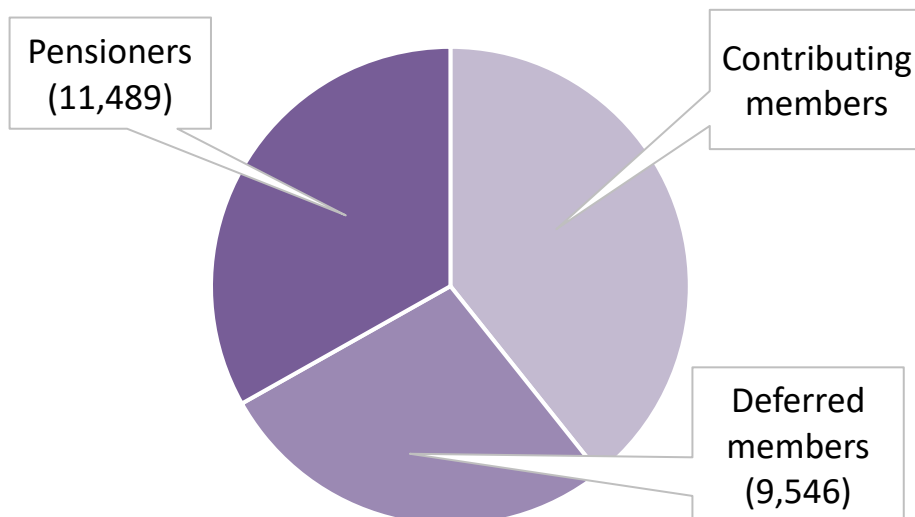
We are also a member of the Institutional Investors Group on Climate Change, the European membership body for investor collaboration on climate change and the voice of investors taking actions for a prosperous, low carbon future. Visit their website at www.iigcc.org.

Key facts and figures

Financial Performance (2021/22)



Current Scheme Membership (total members 34,648)



Pension Fund Accounts

The Highland Council Pension Fund accounts are published on the [resources](#) section of our [website](#) every year. You can access a copy [here](#).



Managing your data

To comply with regulations the Fund is required to share limited information with other public service bodies to prevent and detect fraud.

LGPS National Insurance Database

This is a data sharing project with all other Local Government Pension Funds in Scotland. It allows funds to identify if a member has any LGPS records elsewhere in the country; information which is necessary to help administer the pension scheme and calculate pension benefits.

National Fraud Initiative

The Fund has a legal obligation to participate in the NFI, a counter fraud exercise led by Audit Scotland. It compares information about individuals held by different public bodies to identify circumstances that might suggest the existence of fraud or error.

Tell Us Once

This service allows the Fund to be automatically notified when a death is registered. The Fund does not sell any information to third parties and data collected and shared is processed in line with the UK General Data Protection Regulation and Data Protection Act 2018.

More information on how your data is held and processed can be found on our [Privacy Notice](#).

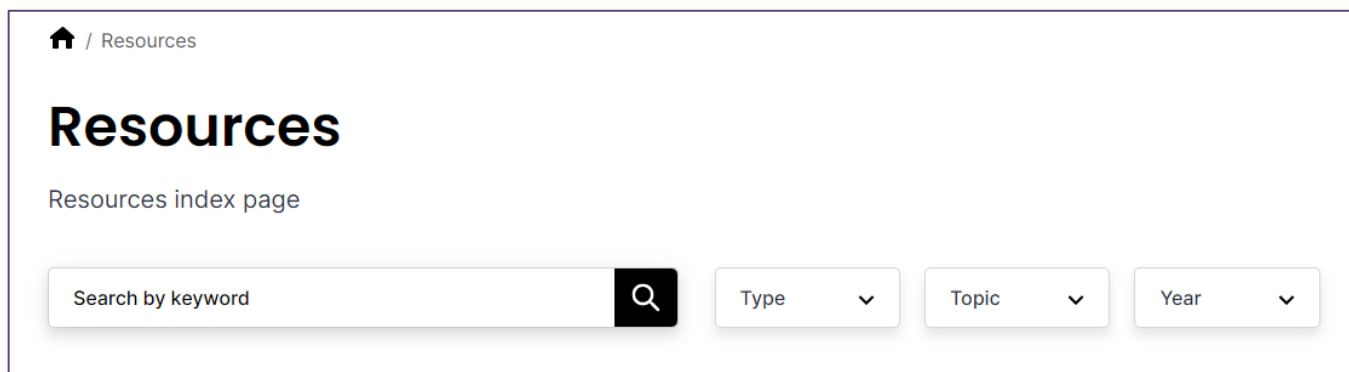
Where to find more information

To find out more about the Local Government Pension Scheme and the Highland Council Pension Fund, please visit our dedicated website: www.highlandpensionfund.gov.uk

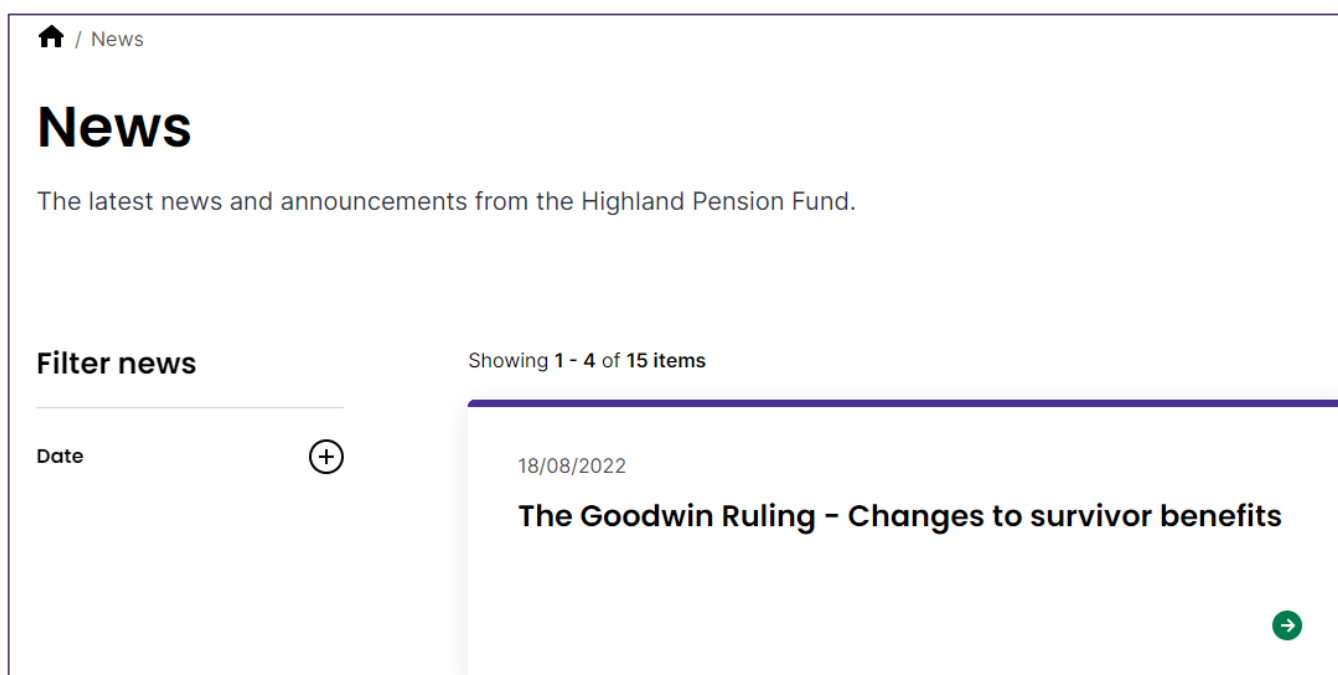
The screenshot shows the website for the Highland Council Pension Fund. At the top left is the Highland Council logo with the Gaelic name 'Comhairle na Gàidhealtachd'. To the right are navigation links for 'Glossary', 'Contact us', and 'Employers', along with a search icon. Below these are links for 'About the Scheme', 'Your pension', 'Resources', 'Help & support', and 'News'. The main heading reads 'Your LGPS pension made easy'. Below this are three interactive buttons: 'Joining the scheme', 'Update my details', and 'Get support', each with a right-pointing arrow. The background features a scenic view of a river flowing through a town with a large church spire.

All commonly used forms, guides and factsheets are published on the [resources](#) section of our website.

You can search for a resource by entering keywords into the search box or filter by type or topic:



Our news page enables us to keep you updated throughout the year with news items which may be of interest to you including legislative changes and announcements:



How to contact us

Write to us at:

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

Telephone: 01463 702441

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

In person visits: Following the challenging and unexpected impact of the pandemic over the last 2 years, we are pleased to advise that our offices have now re-opened to visitors.

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.