

## Lothian Pension Fund annual newsletter

This newsletter contains important information including:

- where to find and view your annual pension forecast
- how to use the online pension calculator to estimate your pension
- understand how your pension is worked out

Your workplace pension forecast is now available on the My Pension Online service. You can access the service through our website at [www.lpf.org.uk/online](http://www.lpf.org.uk/online). If you haven't already registered, you'll find an activation code below. You'll also find answers to common questions about your pension on our website at [www.lpf.org.uk/members](http://www.lpf.org.uk/members).

Our office building is temporarily closed due to Government advice on Covid-19 and colleagues are working from home. We remain fully functional and you can continue to contact us online, by email or, if urgent, by phone. Visit [www.lpf.org.uk](http://www.lpf.org.uk) for updates on our service.

### View your annual pension forecast

Your forecast shows your benefits built up to 31 March 2020 and projected to your Normal Pension Age, which for most is State Pension Age. If you take your pension before this, it will be reduced for early payment. You can use the online pension calculator to get estimates at other ages.

- Sign in or register at [www.lpf.org.uk/online](http://www.lpf.org.uk/online). A video about registering is also on the website
- Once signed in, choose 'My Documents/Forecasts' from the dashboard then 'Forecast'
- The document is a pdf
- **Please check your pay** and contact your employer if there is anything wrong. They will let us know of any changes.

Remember, unlike many private sector pensions, the pension forecast shows an estimate of the annual pension you would be paid, rather than a pension pot which can then be used to get an income. Your pension is a valuable part of your pay and reward package.

### Are you moving?

Remember to tell us if you move. Update your address using My Pension Online or email [pensions@lpf.org.uk](mailto:pensions@lpf.org.uk). You should your employer know or your change may be overwritten.

### McCloud judgement

You may have heard about the McCloud judgment. This said that the 2015 public sector pension reforms treated members differently based upon members' age by only including protection for those approaching retirement.

The LGPS is currently reviewing its regulations to extend the protection to all members who were in the scheme after 1 April 2015. If you qualify, the protection will apply automatically. We've also heard some firms are offering to help make a claim. However, as we'll be automatically applying the protection to all those eligible, there's no need to use a firm to make a claim. Visit [www.lpf.org.uk/McCloud](http://www.lpf.org.uk/McCloud) for more information.

## Using the pension calculator to estimate your pension

You can see how much pension you may be paid if you use our online service. You can choose any date from age 55 onwards.

**Step 1** Sign in or register for My Pension Online at [www.lpf.org.uk/online](http://www.lpf.org.uk/online).

**Step 2** Go to Pension Benefit and choose Benefit Projectors then Voluntary Retirement from age 55.

**Step 3** Change the date to when you want to receive your pension and amend the pay if necessary. Click calculate.

**Step 4** Your figures for that date will be shown and along with any reduction that may have been applied for early payment.

## Normal Pension Age

Your benefits are worked out to your Normal Pension Age which equals your individual State Pension Age. If this is changed by the UK Government in the future, the Normal Pension Age would also change. Any final salary benefits built up before 1 April 2015 have a protected Normal Pension Age, which for almost all is age 65.

## Do it online

My Pension Online is a secure online portal designed to help you manage your pension. It's simply the quickest, easiest and safest way to manage your pension. You can do the following online:

- Update your address (remember to also let your employer know or your change may be overwritten)
- Check the pay and contribution rate provided by your employer
- Upload documents securely
- Use the calculator to model retirement benefits illustrations
- View survivor's benefits
- make or change your nomination online
- complete and return forms online without having to worry about paper and postage.

Sign up at [www.lpf.org.uk/online](http://www.lpf.org.uk/online).



## Inflation increase

The Career Average pension benefits increase by the Consumer Price Index (CPI) each year. 2.4% was applied on 1 April 2019 and this is included in your forecast. A further 1.7% was added on 1 April 2020 and will be included in your 2021 forecast. Benefits built up before 1 April 2015 are worked out using your final pay at the time of leaving.

## Rule of 85 protection – what changes in 2020?

The Rule of 85 was removed from the Scheme Regulations from 1 December 2006. However, certain protections remain for Scheme members who joined prior to this date.

These protections allow some members to retire from age 60 without any reduction to their accrued pension where their age and length of scheme membership (in whole years) added up to 85 or more.

Benefits built up after April 2020 will not have Rule of 85 protection but all the protections up to this date remain in place even if you leave or retire after 31 March 2020.

## How your pension is worked out

Your pension is worked out based on the period you have spent in the Scheme.

### Career Average Pension

Your pension from 1 April 2015 is worked out by dividing your pensionable pay for each year by 49. An amount for inflation is then added. The chart shows an example of how a pension is built up over three years. Visit [www.lpf.org.uk/care](http://www.lpf.org.uk/care) for more information.

### Final salary pension

Any pension built up before 1 April 2015 is based on your length of Scheme membership to 1 April 2015 and the Full Time Equivalent final pay when you leave or retire.

### Lump sum options

When you take your pension, you'll be given the option to swap annual pension for a tax-free cash lump sum up to HMRC limits. To see the effects of swapping annual pension for additional tax-free lump sum cash on retirement, click the Lump Sum Swap tab within the online calculator.

You can swap £1 annual pension for £12 of tax-free cash up to around 25% of the total value of your pension benefits up to HMRC limits.

## Are you saving enough for a comfortable retirement?

Visit the PLSA Retirement Living Standards website [www.retirementlivingstandards.org.uk](http://www.retirementlivingstandards.org.uk) to help you picture what kind of lifestyle you could have in retirement. It's important that you check out your benefits, so you know what you can expect. Your pension forecast shows an estimate of benefits built up in the Scheme 31 March 2020 and projected to your State Pension Age. If you want to retire earlier than this, your pension will be reduced for early payment.

Even if you've been saving for your retirement for most of your working life, depending on when you want to retire, your pension may not be big enough for you to live on comfortably.

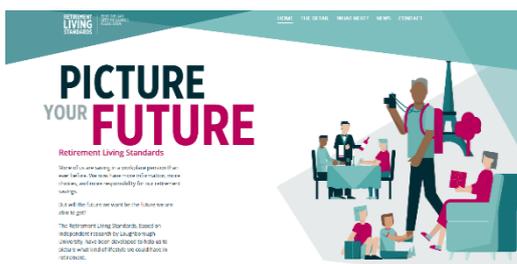
Your State Pension is a valuable part of your retirement benefits and you can check when yours is due to be paid at [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension).

## Changes to factors

We use factors set by the Government Actuary to work out any reduction or enhancement to benefits; for example early or late retirements and divorce. The factors are subject to change and can't be guaranteed.

## Survey results

We ask members to carry out satisfaction surveys when they contact us to help us improve our services. Our overall customer satisfaction for 2019/20, assessed by employers, retired, new and active scheme members was 96%, above our 92% target.



## Can I cash in or transfer out my benefits?

Your pension can now be payable from age 55 should you choose, but will be reduced as you're taking it early. However, the Freedom and Choice regulations which allow you to take a proportion as cash from your pension don't apply to your main LGPS benefits. You can transfer your pension benefits to a new scheme, as long as it's completed at least a year before your Normal Pension Age; you're not receiving an LGPS pension; and you transfer

all your Scottish LGPS benefits at the same time.

If the total value of your LGPS benefits is over £30,000, you must obtain financial advice at your own cost. You can get free and impartial help at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk).

Before you transfer your pension, visit [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) to find out how pension scams work, how to avoid them and what to do if you suspect a scam.

## Partner's pensions

Dependent pensions are paid if you're married, in a civil partnership or have a co-habiting partner.

In the event of your death, we'll ask if there are any eligible partners. You don't have to nominate them in advance.

For a co-habiting partner to be eligible, both of you must have been free to marry, and be able to provide evidence to show that for a continuous period of two years on the date of death you were:

- Financially inter-dependent
- Co-habiting as if married/civil partners
- Neither you nor your partner is living with a third party as if married or civil partners.

## Ways to increase your pension

You can pay more to top up your pension from the Scheme.

### • Buying extra pension (APCs)

You can buy extra pension up to £6,923 a year which will be paid monthly when you retire in the same way as your other benefits. To find out how much it would cost, go to [www.scotlgps2015.org/apc](http://www.scotlgps2015.org/apc) and choose the 'Buy Extra Pension' option.

You can choose to buy extra pension by paying monthly or as a one-off payment. The figures shown assume you take your benefits at your Normal Pension Age and will be reduced if you take your benefits earlier.

### • Paying Additional Voluntary Contribution (AVCs)

You can pay more contributions to our AVC schemes (sometimes called "in house" AVC schemes). You choose how much to pay in AVCs and how they're invested.

The money will come straight out of your pay and go to the AVC provider who will invest it for you. Your options for your AVCs include taking it as a tax-free lump sum or buying additional pension in the scheme. If you're interested in paying AVCs, visit [www.lpf.org.uk/avcs](http://www.lpf.org.uk/avcs) for further information and to apply. Don't forget you get tax relief on extra contributions which lowers their real cost to you.

You should also read the section on Annual Allowance on page 4 of this newsletter to ensure you won't be liable to pay extra tax.

## Request a paper forecast

If you wish a forecast sent to you, you can email [pensions@lpf.org.uk](mailto:pensions@lpf.org.uk) or call 0131 529 4638 quoting your National Insurance number to request a copy be sent to your home address.

## Expression of wishes nomination

It's very important to let us know where you would like any death grant paid to in the event of your death.

You can change or update your nomination on the My Pension Online service or download a form at [www.lpf.org.uk/forms](http://www.lpf.org.uk/forms).

## Annual Allowance

If the value you add to your pension in a year goes over the Annual Allowance, which is currently £40,000, then a tax charge will be applied. A statement of your Annual Allowance is available on the My Pension Online service.

However, if you're over, or very close to, the Annual Allowance threshold, we'll write to you by 6 October. If you're acting up in a post or have a temporary increase in pay, this may result in your LGPS savings exceeding the Annual Allowance in that year.

For further information on pension and tax, visit [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or speak to a financial adviser.

## Responsible investing

All LGPS funds have a duty in law to invest to generate sufficient returns to ensure that pensions are paid when they fall due.

As a shareholder, Lothian Pension Fund takes its responsibilities seriously and takes a holistic approach to financial risk, including incorporation of environmental, social and governance issues into decision-making.

Where we have invested in a company, we engage on our own, and with other investors, to improve corporate standards. We believe that engagement to alter a company's long-term behaviour is more productive than a policy of divestment, which results in a loss of influence.

For more information on the way we invest, see our recently released Statement of Responsible Investment Principles at [www.lpf.org.uk/responsibleinvestment](http://www.lpf.org.uk/responsibleinvestment).

## Update on Fund accounts

The table shows an update on the Fund's financial position. The full Annual Report and Accounts can be found at [www.lpf.org.uk/annualreport](http://www.lpf.org.uk/annualreport).

The Fund operates four investment strategies. Most employer liabilities are in a long-term investment strategy with the majority of assets being in company shares.

Lothian Pension Fund			£000
Fund balance at 31 March 2019			7,819,234
ADD: Money in		LESS: Money out	
		Pension payments	179,229
Contributions from employers	184,818	Lump sum retirement grants	58,809
Contributions from members	49,508	Death benefits paid	7,081
Transfers in	6,036	Investment management fees	32,827
Investments value change	(500,295)	Transfers out	30,660
Investment income	232,842	Refunds	723
		Administration costs	2,496
	(27,091)		311,825
Fund balance at 31 March 2020			7,480,318

The investment team manages most of these equities internally, at very low-cost compared to external manager fees. They select these company shares to provide good long-term returns at lower risk than the benchmark that they're measured against. The main strategy delivered 3.6% over the year that included the COVID-19 lockdown, 6.8% per year over the 5-year period and 8.1% per year over the 10-year period. More Information on all the strategies can be found within the Annual Report.

#### **Disclaimer and Data Protection**

The information in our leaflets, website and letters don't override any legislation which will prevail in any dispute. These are not intended to constitute financial advice. Our leaflets and website provide a guide to the Local Government Pension Scheme in Scotland and don't cover every circumstance. It should therefore be used as a guide and is for information only.

We use the information you give us (and in return the information we give you) to do the tasks required for the administration of your pension, to carry out the Fund's official business and to help stop crime and prevent fraud. Under Data Protection Laws, Lothian Pension Fund (acting as administrating authority for the City of Edinburgh Council) is the Data Controller (the holder, user and processor) of the pension information held about you. You can see our privacy statement on our website at [www.lpf.org.uk/privacy](http://www.lpf.org.uk/privacy).

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