

August 2019

Lothian Pension Fund annual newsletter

This newsletter contains important information including

Where to find and view your annual pension forecast

Understanding how your pension is worked out

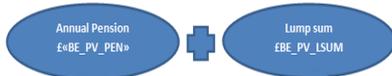
Taking your pension from age 55

Use the online pension calculator to estimate your pension

Rule of 85 protection and what changes in 2020

Your workplace annual benefit pension forecast is now available on the My Pension Online service. You can access the service through our website www.lpf.org.uk where you will find answers to common questions about your pension.

Summary of your total pension built up to 31 March 2019 and payable at your NPA.



How your benefits are worked out

Pension is made up of final salary benefits built up before 31 March 2015 and Career Average pension from 1 April 2015. If you joined after 1 April 2015, the final salary and lump sum will be zero as this relates to previous regulations. See the notes on page 2 for more information. If you are over age 60, the pension shown includes any early or late payment reduction or enhancements (see notes for more information).

Career Average (CARE) 1 April 2015 to 31/3/2019	Final Salary Pension built up from «DJF» to 31/3/2015
Career Average Pay: ECARE_100PF and if 50/50: ECARE_50PF	Final Salary Pay for any pre-April 2015 benefits: E<PEN_PS_REM
CARE pension as at 31 March 2018 E<CARE_OTP>	Based on membership to 31/3/2015 and final salary.
Cost of living adjustment E<CARE_TOTR> *	View your service history using My Pension Online.
Pension built up during 2018/19 E<CARE_TOTR> *	
(*includes APCs of ECARE_APCOR and transfer from ECARE_TVYR)	
Total CARE pension at 31/3/2019 E<CARE_ACSCR>	Total Final Salary Pension: E<BE_PV_FSPN>
	Total Lump sum: E<BE_PV_LSUM>

Projection of your pension payable at NPA



This projection includes: Career Average Pension = ECARE_PROJD plus Final Salary Pension = E<BE_NPA_FSP

a valuable part of your pay and reward package.

View your annual pension forecast

Your forecast shows your benefits built up to date 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 our online pension calculator to get estimates at other ages.

- Register or log on at www.lpf.org.uk. A video about registering is also on the website.
- Once logged 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

Inflation increase

The Career Average pension benefits increase by the Consumer Price Index (CPI) each year. 3% was applied on 1 April 2018 and this is included in your forecast. A further 2.4% was added on 1 April 2019 and will be included in your 2020 forecast. Benefits built up before 1 April 2015 are worked out using your final pay at the time of leave.

How your pension is worked out

Career Average Pension

Your pension from 1 April 2015 is worked out by dividing your pensionable pay by 49. An amount for inflation is then added. The chart shows an example of how a pension is built up over three years. 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 will be given the option to swap annual pension for a tax-free cash lump sum up to HMRC limits. For every £1 annual pension swapped you get £12 tax free cash.

Taking your pension from age 55

If you leave your job after age 55, your pension can be paid. As you are taking your pension early it may be reduced by as much as 48% if taken at age 55. If you have two or more jobs, you can leave one and take that pension and continue to work in the other job. The quickest and easiest way to see the pension paid and any reduction applied is using the online service calculator. Instructions on using the calculator are shown below.



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 Normal Pension Age of 65 unless protections apply.

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.

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 Log on or register for My Pension Online at www.lpf.org.uk.

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.

To see the effects of swapping annual pension for additional tax-free lump sum cash on retirement, click the Lump Sum Swap tab. You can swap £1 annual pension for £12 of tax-free cash up to around 25% of the total value of your pension benefits dependent of HMRC limits.

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. These factors can change from time to time and we are expecting amendments in Autumn 2019. These changes may affect your benefits and will be taken into account in your 2020 forecast. The My Pension Online Service will be updated when the guidance is issued. More information will be available at www.lpf.org.uk.

Pay extra to get more pension

There are two tax-efficient ways to increase your pension by paying more. You can buy extra pension by paying Additional Pension Contributions (APCs) either by regular monthly amounts or as a one-off lump sum. The second option is to make Additional Voluntary Contributions (AVCs) with one of our AVC providers. When you retire, your AVCs can be taken in a number of ways including as part of your lump sum. Find out more at www.lpf.org.uk/payextra.

Can I cash in or transfer out my benefits?

Your pension is now payable from age 55. However, the Freedom and Choice regulations which allow you to take some cash from your pension do not 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 are not receiving an LGPS pension; and you transfer all your Scottish LGPS benefits at the same time. If the total value of your 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. Before you transfer your pension, visit 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.

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.

In order to provide suitable investment strategies for the differing requirements of employers, the Fund operates four investment strategies including a bespoke one for Lothian Buses. Most employer liabilities are funded by a long-term investment strategy with the majority of assets being equities (aka company shares).

The investment team manages most of these equities – about half of the Fund's assets – internally, at very low-cost relative to external manager fees. They select these company shares with the intention that they will provide good long-term absolute returns at lower risk than the benchmark against which they are measured. This is what they have been doing for several years. The main strategy delivered 9.6% over the year, 10.9% per year over the 5-year period and 11.8% per year over the 10-year period. Information on all the strategies can be found within the accounts section of the Annual Report.

Lothian Buses Pension Fund

Following consultation, Lothian Buses Pension Fund became part of the main Lothian Pension Fund on 1 February 2019. These administrative changes do not affect the benefits paid to members. Lothian Buses, like our other employers, has its own assets and liabilities within Lothian Pension Fund but retains its own bespoke investment strategy. The changes, however, mean these assets can be jointly invested making savings in accounting and investment costs.

If you have any questions about the new arrangements, please let us know. Our contact details are on page four of this newsletter.

Lothian Pension Fund			£000
Fund balance at 31 March 2018			7,175,080
ADD: Money in		LESS: Money out	
Contributions from employers	175,540	Pension payments	167,997
		Lump sum retirement grants	50,270
Contributions from members	47,416	Death benefits paid	5,542
Transfers in	3,852	Investment management fees	35,938
Investments	503,734	Transfers out	12,946
Investment income	190,975	Refunds	720
		Administration	2,283
921,517			275,696
Fund balance at 31 March 2019			7,820,901

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. More information can be found at www.lpf.org.uk/howweinvest.



Lifetime and Annual Allowance

If the value you add to your pension in a year exceeds the Annual Allowance, which is currently £40,000, then a tax charge will be applied. If you have any unused allowance from the previous three tax years, this can be used to offset the charge. If you have an income of over £110,000, a reduced Annual Allowance will apply. A statement of your Annual Allowance is available on the My Pension Online service. However, if you are over, or very close to, the Annual Allowance threshold, we will write to you by 6th October. If you are 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.

There is also a maximum amount of pension that you can be taken without a tax charge being paid called the Lifetime Allowance. The Lifetime Allowance for 2019/20 is £1.055 million, if all your UK pension savings is more than this when you take your benefits, you may have to pay tax. You can see your Lifetime Allowance on the My Pension Online service. For further information on pension and tax, visit www.hmrc.gov.uk or speak to a financial adviser.

Expression of wishes nomination

It is 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.

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 2018/19, assessed by employers, retired, new and active scheme members was 92.7%, above our 90% target.

Request a paper forecast

If you wish a forecast sent to you, email pensions@lpf.org.uk or call 0131 529 4638 with your National Insurance number requesting a copy of your forecast be sent to your home address.

Are you moving?

Remember to tell us if you move. Update your address using My Pension Online, call 0131 529 4638 or email pensions@lpf.org.uk.

Partner's pensions paid after you die

Dependent pensions are paid if you are married, in a civil partnership or have a co-habiting partner. In the event of your death, the Fund will ask if there are any eligible partners. You do not 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 2 years on the date of death you were:

- financially inter-dependent;
- co-habiting as if married/civil partners; and
- neither you nor your partner is living with a third party as if married or civil partners.

Lothian Pension Fund Atria One, 144 Morrison Street, Edinburgh EH3 8EX

email: pensions@lpf.org.uk web: www.lpf.org.uk tel: 0131 529 4638

(Please quote your National Insurance number)



@lothianpension



/lothianpensionfund

Disclaimer and Data Protection

The information in our leaflets, website and letters do not 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 do not 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 administering 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.