LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND)
as administered by North East Scotland Pension Fund

TRANSFER NOTES FOR ALL MEMBERS

If you require further scheme information other than that contained in these notes, please initially visit our website where there is further information and scheme guides.

SCHEME INFORMATION

1. The LGPS is a statutory funded, occupational pension scheme. Benefits are guaranteed by statute and any surplus or deficit in the funding level has no effect on benefits. The LGPS was **not** subject to the minimum funding requirement (MFR).

2. The LGPS is a defined benefit scheme. Since 1 April 2015 the LGPS is a Career Average Revalued Earnings (CARE) scheme. Until 31 March 2015 the LGPS was a final salary scheme, with any benefits accrued up to 31 March 2015 calculated on a final salary basis even if the member leaves after 31 March 2015.

3. The LGPS was contracted-out of the state second pension (S2P, formerly SERPS) until 5 April 2016 and provides section 9(2B) rights for post '97 membership and Guaranteed Minimum Pension (GMP) for pre '97 membership. We revalue GMP in line with Section 148 Orders (full revaluation).

   ECON No: E3900002R SCON No: S2700208J

4. The LGPS does provide equalised benefits for both men and women in all instances, except for the portion relating to GMP.

5. The LGPS is a member of the Public Sector Transfer Club arrangement, both Inner and Outer Club.

6. The LGPS is a registered public service scheme under Chapter 2 of Part 4 of the Finance Act 2004. The Pension Scheme Tax Reference (PSTR) number is:
   For members who left on or after 1 April 2015: 00822208RV
   For members who left on or before 31 March 2015: 00329944RV

7. The date of the last actuarial valuation was 31 March 2020 with a funding level of 103%. The next valuation will be 31 March 2023.

8. There are no bridging pensions payable and pensions accrued in the LGPS are non-assignable.

9. Deferred member's who have a cash equivalent transfer value paid to a scheme or arrangement which cannot, or will not, accept their GMP and/or Section 9(2B) rights, can have their transfer value reduced by the value of those rights and responsibility for the GMP/Section 9(2B) rights retained in the LGPS.

10. A transfer value payment to another pension scheme, pension arrangement or to a Personal Pension plan will extinguish the member's rights in the scheme. Therefore if the member has more than one record in the LGPS (Scotland) they must all be transferred at the same time.

11. Flexible Access benefits (e.g. Flexi-access drawdown, UFPLS) are only available in respect of a member's AVC fund. However, if the member is taking payment of their AVC fund at retirement, UFPLS is only available if they cannot take their entire fund as tax free cash. Flexible Access is not available for main scheme LGPS benefits.

12. All LGPS benefits, except any AVCs, are classed as 'safeguarded benefits'.

13. A transfer out is only available if completed by the date 12 months before a member's Normal Pension Age (NPA), if the member does not have pension benefits already in payment within the LGPS (Scotland) and if the member is not contributing to the LGPS (Scotland) in an active employment.

14. We cannot provide copies of previous individual Annual Benefit Statements. However, the news within them can be found in the Publications Library on our website and members can view the details if signed up to our online member self-service, My Pension.

PENSION BENEFITS

1. Pension benefits are calculated as follows:

   Annual Pension: Total membership to 31/03/2009 x 1/80 x Final Pay, *plus*
   Total membership between 01/04/2009 and 31/03/2015 x 1/60 x Final Pay, *plus*
   Annual CARE pay from 01/04/2015 x 1/49, plus CPI revaluation each April

   Lump Sum: Total period of membership to 31/03/2009 x 3/80 x Final Pay

   Only membership up to 31 March 2009 is used in the calculation of any automatic lump sum due. Membership is proportioned for any part-time hours worked and Final Pay is the full-time equivalent. The CARE accrual rate shown is for pension accrued under the main section, if the member has any period in the 50/50 section the accrual rate is 1/98 for that period.

2. When the pension benefits come into payment the member can increase their pension commencement lump sum to 25 % of the capital value of the benefits being crystallised, providing this does not exceed 25 % of the lifetime allowance and that the resulting pension is not less than any GMP liability. For every £1 of pension the member gives up, they receive £12 of additional lump sum.

3. From 1 April 2009 all scheme members pay pension contributions on their pensionable pay on a tiered contribution rate basis to the scheme. Since 1 April 2015 the tiered contribution rate is determined according to the level of a member's annual rate of pensionable pay with the tiered contribution rates ranging from 5.50% to 12%. The pensionable pay bandings for assessing the member's tiered contribution rate are increased each year in line with the Consumer Prices Index.

   Prior to 1 April 2015 the bandings were based on full-time equivalent pensionable pay. Between 1 April 1998 and 31 March 2009 all scheme members paid a standard 6 % of their pensionable pay to the scheme. All members who joined the scheme before 31 March 1998 paid a standard 6 % of their pensionable pay to the scheme unless they were classed as a 'manual employee', in which case they paid a rate of 5 %.

   The employer's contribution rate is varied on our actuary's advice.

4. For members who left on or after 1 April 2015, their Normal Pension Age (NPA) is their State Pension Age, or if higher, age 65. For members who left before 1 April 2015, their NPA is age 65 unless they were active in the pension scheme before 1 April 1998, in which case NPA is as follows:

   (i) age 60 if their total period of membership is at least 25 years by their 60th birthday; or
   (ii) the day after the date of attaining 25 years membership, if that date is between 60 and 65; or
   (iii) age 65 in the case of a member who does not fall within paragraph (i) or (ii).

   Benefits can be paid from age 55 but they would be paid with an actuarial reduction. The current actuarial reductions can be found in the Active Members Retirement section of our website.

   However, if the member joined the LGPS before 1 December 2006, they may have some protection under the 'rule of 85'. The rule of 85 is met when the member's age plus their scheme membership, and notional membership from day after date of leaving to date of payment if applicable, (each in whole years) adds up to 85 years. The date the member meets the rule of 85 is their Critical Retirement Age (CRA), with age 60 being the minimum CRA possible under voluntary retirement even if it is met before.

   Where a member has protection under the rule of 85, if the member was born on or after 1 April 1960 and payment of their deferred benefits is taken after CRA, rule of 85 protection only applies on benefits accrued to 31 March 2008. Those born before 1 April 1960, on the other hand, have rule of 85 protection on benefits accrued to 31 March 2020.

If the member meets CRA in between age 60 and 65 but chooses to take early payment from age 60, the reduction factor applied would be the number of years between age 60 and CRA. Some members who were in the scheme before 1 April 1998 may also have the above transitional protections on final salary benefits.

Benefits can be paid early on ill health grounds with no reduction.

5. There are no discretionary increases as pension and lump sum are increased annually in line with the Consumer Prices Index, with no cap, both in deferment and once in payment. The increases were previously based on the Retail Price Index, up to and including April 2010.

6. The value of the pension benefits quoted are **not** the value due at the member's NPA. As pension benefits are increased in line with the Consumer Prices Index we cannot forecast values payable.

7. Members who have contributed to our in-house AVC (IHAVC) fund have various different ways to use the IHAVC fund at retirement. Up to 100% of the fund can be taken as a tax-free lump sum at retirement, providing the fund value plus any automatic lump sum does not exceed 25% of the capital value of the benefits being crystallised or 25% of the lifetime allowance. Alternatively the fund, or any excess after taking tax free cash, can be used to purchase an annuity with the IHAVC provider or with another provider through the open market option. For Members who left after 1 April 2015, an in-house annuity through the LGPS is also available and the AVC fund must be paid at the same time as main scheme benefits.

<u>DEATH BENEFITS</u>

1. **Death Grant for Deferred Pension:** In the event of the member's death before deferred benefits come into payment a death grant is payable at our discretion to a nominee, executors or any person who appears, at any time, to have been a relative or dependent at the following rates:
   Where the member left on or after 1 April 2009 the death grant is equal to 5 times the value of the member's pension as at date of death.
   Where the member left before 1 April 2009 the death grant is equal to 3 times the value of the member's pension as at date of death.
   This is dependant on whether the member is not also an active member of the LGPS.

   Death Grant once Pension in Payment: In the event of the member's death after benefits come into payment a death grant may be payable at our discretion to a nominee, executors or any person who appears, at any time, to have been a relative or dependent at the following rates:
   Where the member left on or after 1 April 2009 the death grant is equal to 10 times the value of the member's annual pension, minus the pension already paid, if the death occurs within 10 years of retirement and the member was under age 75 at date of death.
   Where the member left before 1 April 2009 the death grant is equal to 5 times the value of the member's annual pension, minus the pension already paid, if the death occurs within 5 years of retirement and the member was under age 75 at date of death.

2. **Survivor's pension**

   Where member left on or after 1 April 2015; in the event of a member's death before their deferred benefits come into payment and the member leaving a surviving spouse, civil partner or eligible cohabiting partner*, that person is entitled to a survivor's pension payable for life. For service from 1 April 2015 the survivor's pension is calculated as if the member's earned pension, ignoring any additional pension purchased in the LGPS by way of additional pension contributions, had accrued at a rate of 1/160th rather than either 1/49th or 1/98th. For membership before 1 April 2015 the survivor's pension is calculated by multiplying the member's total membership by the member's final pay and divided by 160, plus pensions increase to date of death.

If the member left on or after 1 April 2009 and before 1 April 2015: In the event of their death before their deferred benefits come into payment and the member leaving a surviving spouse, eligible cohabiting partner* or civil partner, that person is entitled to a pension payable for life. It is calculated by multiplying the member's total membership by the member's final pay and dividing by 160, plus pensions increase to date of death.

If the member left on or after 1 April 1998 and before 1 April 2009: In the event of their death before their deferred benefits come into payment and the member leaving a surviving spouse or civil partner, that person is entitled to a pension payable for life. It is calculated by multiplying the member's total membership by the member's final pay and dividing by 160, plus pensions increase to date of death.

If the member left on or before 31 March 1998: In the event of their death before their deferred benefits come into payment and the member leaving a surviving spouse, that surviving spouse is entitled to a pension payable for life. The pension payable to a widower is calculated based only on the member's post 5 April 1988 membership.

Note 1: If the member left on or after 1 April 2009, for the survivor's pension payable in the case of an eligible cohabiting partner or civil partner, only periods of membership after 5 April 1988 are taken into account in the calculation of survivor's pension.

Note 2: In all cases above, where the member leaves a widow they married after their date of leaving, that widow is entitled to a survivor's pension calculated, only on periods of membership after 5 April 1978. Where the member leaves a widower they married after their date of leaving, that widower is entitled to a survivor's pension, calculated only on periods of membership after 5 April 1988.

* **Eligible cohabiting partner:** To be eligible as a cohabiting partner the relationship has to meet certain conditions. The conditions are that both parties must be free to marry or form a civil partnership, and that for a continuous period of at least two years:

a. The nominee has been financially dependent on the member or the parties are inter-dependent; *and*
b. Both are cohabiting as if they were married/civil partners; *and*
c. Neither are living with a third person as if they were married/civil partners.

Eligible cohabiting partner pensions are only available to members who left on or after 1 April 2009.

3. **Dependant's Pension:** There is also provision for a pension payable to an 'eligible child'. An eligible child is a natural or adopted child of a deceased member or a step-child or child accepted by the deceased member, as a member of the family who was dependent on the member, and was under 18 years of age at the date of the member's death. An eligible child who has reached the age of 18 but has not reached the age of 23 and is in full time education or undertaking vocational training at the date of the member's death may also be treated as an eligible child. An eligible child who is unable to gain employment because of physical or mental impairment and either under age 23 or permanently dependant on the member may also be treated as an eligible child. The amount payable depends on the number of eligible children.

PENSIONS SCAMS

PLEASE READ: The LGPS is dedicated to combating pension scams and, as part of our due diligence, we must carry out specific checks before complying with a member's request to transfer their pension. The Government has identified common pension scam risks which, if present, may suggest you are in danger of being scammed. These are called red and amber flags.

If you elect to proceed with the transfer, we are required to decide whether any red or amber flags are present. In order to make this assessment, we may request more information. We will only ask for information that we reasonably need and will only use it for this purpose.

If you wish to transfer to an occupational pension scheme (either in the UK or overseas), we will request information about your employment status. If you wish to transfer to an overseas private pension scheme we will request information about your residency status. If you are requesting a transfer to a public service pension scheme, an authorised master trust or an authorised collective defined contribution scheme we do not need to do the assessment.

If we do request more information, it is essential that you provide this in a timely manner. You must give us the information yourself. Other than in limited situations, such as a power of attorney, no one else can give us the information on your behalf. Failing to provide the information we request may result in the transfer being paused or refused.

RED FLAGS

Examples of when a red flag is present:

- You request a transfer to an occupational pension scheme and we do not have enough information to link you to an employer that participates in that scheme
- You request a transfer to an overseas scheme and, we either do not have enough information to link you with an employer that participates in that scheme, or prove that you are resident in the country the scheme is based in
- Someone provided, or agreed to provide you with advice about your transfer without the necessary permissions from the Financial Conduct Authority
- You request a transfer following direct marketing, such as cold calling, texts and emails about your pension, by a person or firm you previously had no contact with
- You have been offered an incentive to transfer, for example, access to your pension savings before age 55 or limited time investment offers
- You feel you have been pressured to transfer your pension benefits
- You have been asked to attend a MoneyHelper guidance session and fail to provide evidence of the appointment

If we decide there are any red flags present, we must refuse the transfer. If this occurs, we will notify you in writing within seven days of making our decision.

AMBER FLAGS

Examples of when an amber flag is present:

- Information about the receiving scheme indicates:
  - they invest in high-risk or unregulated investments
  - the investment structure is unclear, complex or unorthodox
  - overseas investments are included
  - there are high or unclear scheme charges
- Our records show that there is a sharp or unusual rise in transfers to the receiving scheme or involving the same advisor
- The information you have provided does not fully demonstrate an employment link or your residency in the country the scheme is based in

If we decide there are any amber flags present, we must pause the transfer until you provide us with evidence that you have attended a pension scams appointment with MoneyHelper. MoneyHelper offers impartial guidance backed by the Government on money and pension choices. The purpose of the appointment is to help you identify the commons risks involved with transfers, highlight the dangers of pension scams and help you consider whether you still wish to transfer. More information on this free service can be found at: https://www.moneyhelper.org.uk/pension-safeguarding

We will notify you in writing if we require you to attend an appointment with MoneyHelper and ask you to provide us with your booking confirmation and Unique Appointment Reference. As advised above, failure to provide us with this evidence is a red flag and could result in the transfer being stopped.

If you would like more information on pension scams you may find the following weblinks useful:

https://thepensionsregulator.gov.uk/pension-scams

https://www.fca.org.uk/consumers/pension-transfer-defined-benefit

https://www.fca.org.uk/scamsmart/how-avoid-pension-scams

https://www.nespf.org.uk/resources/pension-scams/

INFORMATION REQUIRED TO TRANSFER

Public Sector Transfer Club Schemes

If the member is transferring to a Public Sector Service Pension Scheme, we require the following:

- A formal request for payment of the transfer value
- Completion of our transfer forms TVOUTCF1 and TVOUTCF2
- Sight of the member's birth certificate

Non-Public Sector Transfer Club Schemes

If the member is not transferring to a Public Sector Pension Scheme, we require the following:

- A formal request for payment of the transfer value
- Completed Advice Confirmation form
- HMRC Registration Certificate (not required for statutory schemes)
- Sight of the member's birth certificate

If the member is transferring to a Qualified Recognised Overseas Pension Scheme (QROPS), in addition to the above we will also require:

- Completed HMRC APSS263 form
- Copy of scheme's HMRC QROPS registration letter
- Statement of benefits that will be awarded as a result of the transfer, signed by the member

Where the receiving scheme is not an authorised master trust scheme or authorised collective defined contribution scheme, we are required to request additional information from the member to prevent them falling victim to pension scams. Please see the previous page, titled Pension Scams.

Pension Wise Guidance

If the member is electing to transfer an AVC fund, the legal requirement to take or opt out of Pension Wise guidance before the transfer can proceed may apply.

Pension Wise is a service from MoneyHelper. It is a free, impartial service sponsored by the Government to help members understand their AVC options. If any of the following apply, the member will not need to be referred to Pension Wise:

- the member is under the age of 50
- receiving flexible benefits is not the purpose, or one of the purposes, of the transfer
- for transfers to occupational schemes, the member confirms they have already been referred to Pension Wise by the receiving scheme in relation to the application and they have either received or opted out of taking guidance
- the member is transferring to a personal or stakeholder pension scheme which is regulated by the Financial Conduct Authority (FCA)

The member will be notified in writing if they are required to take or opt out of Pension Wise guidance.

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Disclaimer: The information in these notes is based on the Local Government Pension Scheme (Scotland) Regulations and other relevant legislation. It is for general use and cannot cover every personal circumstance. In the event of any dispute over pension benefits, the appropriate legislation will prevail as these notes do not confer any contractual or statutory rights and is provided for information purposes only.