

Newsletter 2018

Welcome

Welcome to our Autumn 2018 Newsletter of the Orkney Islands Council Pension Scheme. It's been another busy year. As at 31 March 2018 the membership has grown by 164 to 3,827 and the Pension Fund Value stood at £366.4 million an increase of £31.1 million from 31 March 2017, which is considered exceptional.

We hope you enjoy reading this newsletter and in addition we recommend that you take this opportunity to:-

Gareth Waterson, Head of Finance

- Check that your Annual Benefit Statement is correct (enclosed with this newsletter).
- Check your nominated beneficiaries are correct (details found on your Annual Benefit Statement).
- Check and if necessary update your contact details (an 'update form' can be found on the Orkney Islands Council Website: www.orkney.gov.uk).
- Consider if you need to boost your Pension - see page 3 for more details.

Contact Us

-  **Orkney Islands Council Pension Scheme**
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-  pensions@orkney.gov.uk
-  01856 873535 Ext.2108
-  www.orkney.gov.uk

Keep in Touch

Please remember to inform the Pension Team if you move house, get married, enter into a civil partnership or if any of your personal details or circumstances change.

The best way to do this is to download a 'change of circumstances' form from the Orkney Islands Council Website: www.orkney.gov.uk and forward it to the Pension Section.

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Review of the Year 2017/18

2017/2018 was another busy year for the Scheme. A full triennial valuation exercise was carried out during the year and confirmed that while scheme liabilities have increased by 50.5% over the past 3 years, this has been more than matched by the value of scheme assets. With a projected funding level of 113%, the Scheme is said to be fully funded and continues to meet one of its key objectives.

Following on from the positive results of the formal valuation exercise, a review of the Scheme's Funding Strategy recently agreed that the risk profile of the Pension Scheme should be reduced going forward along with a phased reduction in employer contribution rates implemented over the next three years. A further review has now been commissioned to explore how this reduction in risk profile will translate into a revised investment strategy going forward.

Scheme investments remained under active management during the year, returning a gain of 9.0% and outperforming the benchmark by some 6.7%. This strong performance saw the value of scheme assets increase by £31.1m to £366.4m as at 31 March 2018.

Membership



As at 31 March 2018 the Pension Scheme had:-

Active Members	1,966
Pensioners	888
Deferred Members	973
TOTAL	3,827

Your Pension Contributions 2018/19

The rate of contributions you pay is based on how much you are paid. There is a five tier contribution system with your contributions based on how much of your pensionable pay falls into each tier. If you elect for the 50/50 section of the scheme you would pay half the rates listed below. Your contributions are based on your actual pensionable pay. This is your actual pay before any deductions such as tax and includes your basic pay and any overtime.

Actual Pensionable Pay	Contribution Rate
On earnings up to and including £21,300	5.50%
On earnings above £21,300 and up to £26,100	7.25%
On earnings above £26,100 and up to £35,700	8.50%
On earnings above £35,700 and up to £47,600	9.50%
On earnings above £47,600	12.00%

Your employer currently contributes 18.2% towards your pension, making it a very valuable and important part of your employment package.

Know your Retirement Date

Your state pension age is the earliest age you can start receiving your state pension. Since April 2015, the Pension Scheme normal retirement age for active members has been linked to the state pension age. The state pension age will rise over the coming years for men and women as shown in the table below:

Your Date of Birth	State Pension Age
Between 6 December 1953 and 5 October 1954	Between 65 and 66
Between 6 October 1954 and 5 April 1960	66
Between 6 April 1960 and 5 March 1961	Between 66 and 67
Between 6 March 1961 and 5 April 1970	67
Between 6 April 1970 and 5 April 1978	Between 67 and 1 month and 68 years depending on your date of birth *
After 6 April 1978	68

*The changes proposed in July 2017 will have to be approved by Parliament.

More information on your state pension can be found at www.gov.uk/check-state-pension

How to Boost Your Pension

Even though the Scheme offers very good benefits it may not be enough to give you the lifestyle you want at retirement. If you think you might need to increase your benefits, you can boost your pension by paying Additional Voluntary Contributions (AVCs) with Prudential. The contributions that you make are invested in a fund of your choice and when you retire you can use your AVC fund to buy extra annual pension, or take it as a lump sum (within tax limits).

Benefits Include:-

- Take advantage of tax relief – contributions come from your salary each month before it is taxed. If you are a basic tax payer, a £100 contribution will only cost you £80, as the £20 you would pay in tax goes in your AVC pot instead.
- AVCs are flexible – in order to suit your circumstances, you can stop, restart or adjust your contributions at any time.
- Investing made easy – AVCs are investment based and you can stay in control of your savings by choosing where they are invested. It is important to note that investments may go up or down.

Contacting Prudential

More information regarding AVCs can be found at: <https://www.pru.co.uk/rz/localgov/> or you can also contact them on 0800 032 6674 (Monday – Friday from 9am to 6pm).

Accessing Your Pension

Your Orkney Islands Council Pension may be paid in the following circumstances:-

Retirement from 55

If you were paying in to the Local Government Pension Scheme on or after 1 June 2018, you can now retire and access your pension from age 55.

Previously members could only choose to take their Local Government pension before age 60 with their employer's permission. However, with new changes in force, members can now choose to take their pension from age 55 onwards without needing permission. Remember if you choose to take your pension before your Normal Pension Age, your pension will be reduced due to early payment.

The table below shows how much your pension and lump sum would be reduced depending on how many years earlier than your Normal Pension Age you retire.

No. of years paid early	Annual Pension Reduction: Men	Annual Pension Reduction: Women	Lump Sum Reduction: Unisex
1	6%	6%	3%
2	11%	11%	6%
3	16%	15%	8%
4	21%	20%	11%
5	25%	24%	14%
6	29%	28%	16%
7	33%	31%	19%
8	36%	35%	21%
9	39%	38%	23%
10	42%	41%	26%
11	46%	44%	N/A
12	49%	47%	N/A
13	52%	50%	N/A

Redundancy

If you are aged 55 and over and you have met the two year qualifying period your benefits must be paid immediately without any reductions. A member is not able to transfer out their benefits once a redundancy package has been agreed.

Transfer of Benefits

It may be possible to transfer your benefits to another pension scheme as long as you do so at least 12 months before your Normal Pension Age.

Flexible Retirement

From the age of 55, if you reduce your hours or move to a less senior position and your employer agrees, you can draw some or all of the pension benefits you have built up, helping to ease the move into retirement. This form of flexible retirement is at the discretion of your employer and your benefits may be reduced.

How the CARE Scheme Works

From 1 April 2015 the Local Government Pension Scheme became a Career Average Revalued Earnings (or CARE) scheme.

In a CARE scheme the pensionable pay for each year of membership is used to calculate a pension amount for that particular year. That pension amount is then revalued each year in line with inflation (it should be remembered that, while your CARE pension might be expected to increase each year, the pension amount could be reduced should there be negative inflation). These individual pension amounts are then added together to arrive at the total pension payable from the scheme.

Planning to Retire Soon - What Next?

If you are thinking of retiring please talk to your Line Manager and agree the date you would like to finish. You both need to be clear what type of retirement you are taking. After discussing this with your Line Manager you should contact the Pension Section for an estimate of your pension benefits.

Protection for your family

As an active member of the Local Government Pension Scheme you have peace of mind that should the worst happen your loved ones will be provided for. If you die before you reach retirement age a death grant is payable as a tax-free lump sum. The amount of lump sum payable is equal to three times your Pensionable Pay at date of death, no matter how long you have been a member of the scheme.

Nomination of Beneficiary

You are able to state to whom you would like to leave any death grant to by completing the 'Nomination of Beneficiary' form found at www.orkney.gov.uk or contact the Pension Office for a paper copy.

Beware of scams – Keep your pension safe

Pension scams are on the rise so keep your pension safe from fraudsters by recognising common warning signs:

- Cold calls, text messages, emails or someone coming to your door with promises of quick cash, legal loopholes and pension loans
- Claims of accessing your pension before age 55
- Proposing a single investment and promising large returns
- Enticements of upfront cash

Always ensure you are aware of the facts when making decisions about your pension. Find out more about pension fraud and what to do if you think you have been targeted by visiting www.thepensionsregulator.gov.uk

How we use your Information

The Orkney Islands Council Pension Fund General Data Protection Regulations Privacy Notice sets out how the Orkney Islands Council Pension Fund manages its members data, including who it shares data with and for what purpose it might be used. This privacy notice can be downloaded from the Orkney Islands Council website: www.orkney.gov.uk.