



Orkney Islands Council Pension Fund

Newsletter 2024



Local Government
Pension Scheme

www.orkney.gov.uk

Welcome

Welcome to your 2024 Newsletter of the Orkney Islands Council Pension Scheme. The purpose of this newsletter is to keep all our members informed about the Orkney Islands Council Pension Fund and Local Government Pension Scheme (LGPS) matters in general.

Annual Benefit Statements

Your annual benefit statement was sent out in August, and we recommend that you take this opportunity to:

- Check that your Annual Benefit Statement is correct
- 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 at [Pensions \(orkney.gov.uk\)](https://www.orkney.gov.uk/pensions)).
- Consider if you need to boost your Pension – See page 5 for more details.

Contact Us

Contact details are as follows: -	
Orkney Islands Council Pension Scheme	Council Offices, Kirkwall, Orkney, KW15 1NY
Email	pensions@orkney.gov.uk
Telephone	01856 873535, ext. 2168
Website	www.orkney.gov.uk

Keep in Touch

Please remember to inform the Pensions team of any changes to your personal circumstances. For example, if you move house, get married, enter a civil partnership, or if any of your personal details change.

The best way to do this is to download a 'Pension Scheme Details Update' form from the Pensions section of the Orkney Islands Council website [Pensions \(orkney.gov.uk\)](https://www.orkney.gov.uk/pensions) and forward it to the Pensions team.

Review of the Year 2023/2024

It was another busy year for the Scheme in 2023/2024. A full triennial valuation exercise was conducted during the year and confirmed that the scheme liabilities have decreased by 8.5% over the past 3 years, with scheme assets increasing by 27.3% over the same period. With a projected funding level of 164%, [the highest level across all Scottish regional funds](#), 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, the Scheme's Funding Strategy was reviewed, and the agreed changes to asset allocations are currently being implemented. The employer contribution rate has also been reduced* to 15.0% for the period from 1 April 2024 to 31 March 2027, reflecting the improved funding position.

Scheme investments remained under active management during the year, returning a gain of 11.7%. This strong performance saw the value of scheme assets increase by £55.9m to £535.8m for the 12 months to 31 March 2024.

*NB – The LGPS is a defined benefit pension scheme and as such your retirement income is based on your salary and the number of years worked, and therefore not impacted by changes in contribution rate.

The Local Government Pension Scheme (LGPS) and Stock Markets

The LGPS is a **Defined Benefit Scheme**. Defined Benefit pensions are **not** linked to stock market performance and therefore remain unaffected by any movement in financial markets.

Short-term investment values might vary, however the LGPS as a long-term investor is securely managed, to address potential longer-term impacts.

LGPS members can therefore be assured that both their contributions and their pension are secure and will be unaffected by movements in the financial markets.

How We Invest

There are regulations which govern how Local Government Pension funds can be invested. Information on these regulations and how we invest can be found in the Statement of Investment principles, which is available to view at the related download section [Pension Fund Sub-Committee \(orkney.gov.uk\)](#).

Alongside the duty to act in the best financial interest of members, we recognise the importance of assessing and managing the impact of Ethical, Social and Governance (ESG) risks. Our approach to managing these risks and responsibilities is set out in our Responsible Investment Policy which can be found under the related downloads section [Pension Fund Sub-Committee \(orkney.gov.uk\)](#)

The Funds audited [Annual Report and Accounts](#) provide more information on investment performance and asset categories.

Financial Performance 2023/24

Value of the Fund at 31 March 2024 was £535.8m (£479.9m at 31 March 2023)

Employer & Employee Contributions



+ £13.5m

Pension & Other Benefits Paid Out



- £11.2m

Investment Income



+ £11.9m

Management expenses



- £3.4m

Transfers into Fund



+ £2.4m

Transfers out of Fund



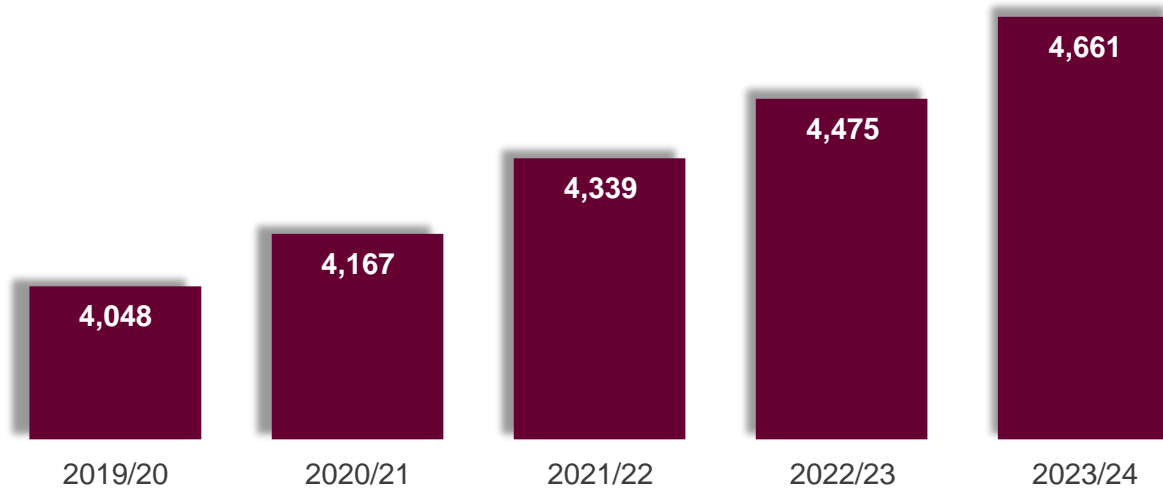
- £1.0m

Operational and Investment Income Gain of £55.9 million to 31 March 2024

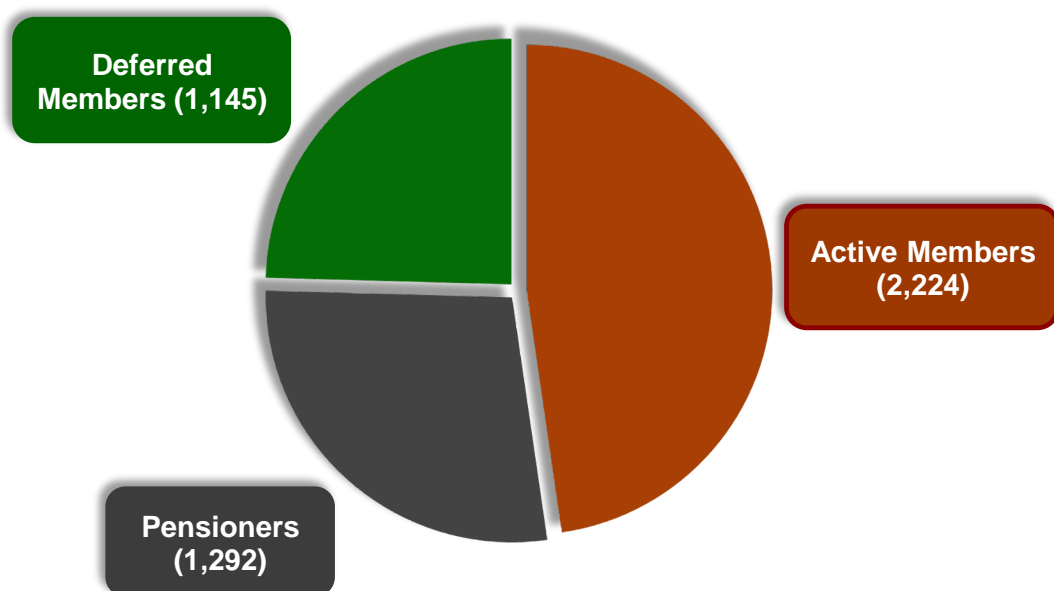
Membership

The scheme membership has continued to increase year on year, with 4,661 members as at 31 March 2024. This is an increase of 186 members when compared to the previous year.

Scheme Membership



Current Scheme Membership Data



Your Pension Contributions 2024/2025

Your contribution rate is based on how much you are paid. Within the main section of the Scheme, it is currently between 5.5% and 12% of your pensionable pay. There are five tiers, with your contributions based on how much of your pensionable pay falls into each tier. If you join the [50/50 section](#) of the Scheme, you will pay half the rates.

Actual Pensionable Pay	Main Section Contribution Rate	50/50 Section Contribution Rate
On earnings up to and including £27,000	5.5%	2.75%
On earnings above £27,001 and up to £33,000	7.25%	3.625%
On earnings above £33,001 and up to £45,300	8.5%	4.25%
On earnings above £45,301 and up to £60,400	9.5%	4.75%
On earnings above £60,401	12%	6%

Your employer currently contributes 15% towards your pension, making it a 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's normal retirement age for active members has been linked to the State Pension age. The State Pension age will rise to 67 between 2026 and 2028, and based on the current law, it will then increase from 67 to 68 between 2044 and 2046. You can check your current State Pension age on the HMRC website [State Pension age \(gov.uk\)](#)

How to Boost Your Pension

You may wish to consider paying extra pension contributions now to boost your income in later life. There are two ways you can pay extra contributions in the LGPS. You can pay Additional Pension Contributions, Additional Voluntary Contributions, or both. You can also pay extra outside of the LGPS to increase your retirement income.

More information is available on the LGPS website [Paying more \(scotlgpsmember.org\)](#)

Additional Pension Contributions

If you are in the main section of the LGPS, you can pay additional contributions to buy extra pension. The most that you can buy is £8,030 (2024/25 rate) of extra yearly pension. You can pay for the extra pension by paying Additional Pension Contributions (APCs) over a number of complete years or by paying a lump sum.

The cost of buying extra pension depends on your age, how much yearly pension you buy and how you choose to spread the payments. The cost of buying extra pension is reviewed every few years. If you buy extra pension by paying regular contributions, the amount you pay each pay period may change in the future.

You cannot buy extra pension if you are in the 50/50 section of the LGPS.

Additional Voluntary Contributions

When you pay Additional Voluntary Contributions (AVCs), you build up a pot of money which is used to provide benefits on top of your LGPS benefits. AVCs are taken directly from your pay before your tax is worked out, so if you pay tax, you receive tax relief automatically. The Council's AVC provider is Prudential. More information and details of how to apply for an AVC are on their website [Prudential AVC \(mandg.com\)](http://PrudentialAVC(mandg.com)) or you can contact them by phone on 0800 032 6674 (Monday – Friday from 9am to 6pm).

There are HM Revenue and Customs limits on the pension savings you can have before you have to pay extra tax. You are more likely to be affected if you are a higher earner or if you pay a large amount of extra contributions in a year. See the section on [Tax](#) to find out more.

Accessing Your Pension

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

Retirement from 55

You can take your pension at any time from age 55 to 75, as long as you have met the two-year [vesting period](#). The Government has announced the earliest age that you can take your pension will increase from age 55 to 57 from 6 April 2028. This will not apply to ill health retirements. Special rules apply if you have to retire because of [ill health](#).

Your benefits are paid in full if you choose to take them from your Normal Pension Age. For benefits built up from April 2015, your Normal Pension Age is linked to your State Pension age but is at least age 65. If you choose to take your pension before your Normal Pension age, it will normally be reduced because it is being paid earlier. The earlier you take your pension, the bigger the reduction will be.

The current reductions for taking your benefits up to 13 years early are shown in the table below. If the number of years is not exact, the reductions will be adjusted.

No. of years paid early	Pension Reduction	Lump Sum Reduction
1	5.0%	1.7%
2	9.7%	3.3%
3	14.0%	4.9%
4	18.0%	6.5%
5	21.6%	8.1%
6	25.0%	9.6%
7	28.2%	11.1%
8	31.2%	12.6%
9	34.0%	14.1%
10	36.6%	15.5%
11	40.6%	N/A
12	42.9%	N/A
13	45.1%	N/A

Redundancy

If you are aged 55 and over and you have met the two-year [vesting period](#), your LGPS benefits must be paid to you immediately. 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 if you do so at least 12 months before your Normal Pension Age. The UK Government has introduced new rules on pension transfers in recent years. These rules are there to protect scheme members when they are thinking about transferring their pension. More information can be found here [Transferring your LGPS pension \(scotlgpsmember.org\)](#).

Flexible Retirement

Flexible retirement helps you ease into retirement. If you reduce your working hours by at least 40%, you may be able to take some or all the benefits you have built up. You may wish to consider flexible retirement if:

- you are 55 or over.
- you have met the two-year [vesting period](#)
- your employer agrees.

Your benefits may be reduced for early payment if you retire flexibly before your Normal Pension Age.

Ill Health

You may be able to have your pension paid early if you have an illness which makes you permanently unable to do your job and results in you being less likely to be capable of doing any other job. More information can be found here [Ill health retirement \(scotlgpsmember.org\)](#)

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 Pensions team for an estimate of your pension benefits.

Courses on planning for retirement are periodically available through the Corporate Learning Programme and more information can be requested by emailing learn.develop@orkney.gov.uk.

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 [Pensions \(orkney.gov.uk\)](https://www.pensions.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.

Additional Support and Guidance



Money Helper is a free service backed by the government. They provide independent support and impartial guidance about money and pension choices. They can also help with everyday money and budgeting, debt advice and state benefits. Visit their website to find out how they can

help: <https://www.moneyhelper.org.uk/en>



**The
McCloud
Remedy**
for the lgps

The McCloud Remedy

What is it?

The LGPS rules changed from 1 October 2023. When public service pension schemes changed from final salary schemes to career average schemes in 2014 and 2015, older members were protected from the changes. In 2018, the Courts found that younger members had been discriminated against because the protections did not apply to them. This ruling is called the 'McCloud judgment'. The 2023 changes are called the 'McCloud remedy'. They remove the age discrimination found in the McCloud court case.

How did the protection work in the LGPS?

In 2015, the LGPS changed from a final salary scheme to a career average scheme. Older members who were closer to retirement were protected from these changes. Members were protected if they met these conditions:

- born before 1 April 1957
- joined the LGPS before 1 April 2012
- under age 65 and an active member between 1 April 2015 and 31 March 2022
- took their pension straight away when they left the LGPS.

When a protected member retired, their pension fund compared the career average pension they built up before age 65 with the pension they would have built up in the final salary scheme. If the final salary pension was higher, the difference was added to their pension. This protection is called the underpin. There were problems with the underpin as the 'old' rules did not guarantee that all protected members got a pension at least as good as they would have got under the final salary scheme.

Changes to the LGPS

The LGPS rules changed from 1 October 2023 because of the McCloud remedy. The changes are backdated to 1 April 2015, when the career average scheme started. If you qualify for underpin protection, you will be protected even if you have already left the LGPS or taken your pension.

The McCloud remedy means two main changes for LGPS members:

1. Qualifying younger members are now protected by the underpin too. This removes the discrimination found in the McCloud judgment.
2. The new underpin rules are much more detailed. This means that the underpin works fairly and consistently for all protected members. If you were protected by the 'old' underpin rules when you took your pension before 1 October 2023, your pension might increase under the 'new' rules.



**The
McCloud
Remedy**
for the lgps

Am I affected?

Not all LGPS members are affected by the McCloud remedy. You can use the [Am I affected? tool](#) to find out if you are affected. The basic rules are also set out below.

You will not be affected by the McCloud remedy if:

- you turned 65 before 1 April 2015
- you left the LGPS before 1 April 2015.


Your LGPS pension is protected by the McCloud remedy if:

- you were a member of the LGPS or another public service pension scheme before 1 April 2012
- you were a member of the LGPS in the remedy period between 1 April 2015 and 31 March 2022
- you were under age 65 in the remedy period, and
- you have not had a [disqualifying gap](#).

Underpin protection only applies to pensions built up in the remedy period (1 April 2015 to 31 March 2022). The protection stopped earlier if you left the Scheme or reached your final salary normal retirement age (usually 65) before 31 March 2022. There is no underpin protection from 1 April 2022 onwards. Pensions built up after this date are based on the career average scheme only.

What does this mean for me?


Underpin protection works in different ways for different members. You can find more detailed information about how different members will be affected and see examples of how different members are affected using the links below:



The McCloud Remedy

Everything you need to know about the McCloud Remedy.

[Find out more](#)



Am I affected

Use our online tool to find out if you are affected.

[Find out more](#)

IMPORTANT: The Pensions team will look at your pension record to find out if you are protected by the underpin. If you were a member of another public service pension scheme before 1 April 2012, your pension fund may not know. Please contact the Pensions team for a public service pensions history form. It is important that you give them the information they need so that you get the protection you are entitled to.

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 [Pension Fund GDPR Privacy Notice \(orkney.gov.uk\)](https://www.orkney.gov.uk/pension-fund-gdpr-privacy-notice).

Useful Links

Orkney Islands Council - www.orkney.gov.uk

Local Government Pension Scheme Scotland - www.scotlgpsmember.org

The Pension Regulator - www.thepensionsregulator.gov.uk

Stop! Think Fraud - How to stay safe from scams - stopthinkfraud.campaign.gov.uk

A glossary of common pension terms - [Glossary: LGPS Scotland \(scotlgpsmember.org\)](http://www.scotlgpsmember.org/glossary)

Short videos to learn about the LGPS - [Videos: LGPS Scotland \(scotlgpsmember.org\)](http://www.scotlgpsmember.org/videos)

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.