

# Annual Benefit Statement (ABS) FAQs

# 2023

## Introduction

This Frequently Asked Questions document has been designed to support your understanding of your Local Government Pension Scheme (LGPS) Dumfries and Galloway Annual Benefit Statement 2023.

It covers questions commonly asked in relation to statements themselves, and general LGPS Scotland queries. It applies to members in employment, or who have been in the past employed by an employer who participates in the LGPS Dumfries and Galloway.

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## What is my Annual Benefit Statement (ABS)?

### Active ABS

If you have received an Active statement, it is because you continue to be a contributing member for the employment for which it was issued.

Your active ABS outlines how much pension you have built up so far in the Local Government Pension Scheme (LGPS) Dumfries and Galloway Council Pension Fund. It also shows an estimate of how much pension you are likely to receive at your Normal Pension age (NPa) if you continue working your current hours and stay at the same rate of pay. The ABS also contains other pieces of useful information such as percentage reductions for taking benefits before your NPa, information on survivor's benefits, how to make additional contributions to your pension and information on pensions workshops.

### Deferred ABS

If you have received a Deferred statement, it is because you have left the employment or opted out of the pension scheme for which it was issued, and you are therefore no longer contributing to this pension record.

Deferred statements are also issued where a pension credit has been awarded following a divorce settlement.

Your deferred ABS outlines how much pension you built up for each past employment for an employer who participates in the LGPS Dumfries and Galloway Council Pension Fund. The ABS also contains other pieces of useful information such as percentage reductions for taking your benefits before NPa, information on survivor's benefits, and information on pensions workshops.

Unlike Active statements, we do not include an estimate of what you are likely to receive at NPa because you are no longer contributing therefore your pension benefits will not increase/decrease. They are however linked to the Consumer Price Index (CPI) and will change accordingly.

## What is my Normal Pension age?

Normal Pension age, if you have membership of the scheme after 31 March 2015, is the same as your State Pension age (SPa).

For membership before 1 April 2015 then NPa is 65; some members may have 85-year rule protections.

## What is the 85 Year Rule and how do I apply for Rule of 85 Protection?

The 85 Year Rule existed in the Final Salary scheme and was removed from the scheme on 1 December 2006. Members who joined the LGPS before then may have some 85 Year Rule protection. If this applies to you, you do not need to apply for protection, it will be automatically applied to your benefits if you are retiring after age 60. For further information go to <https://www.scotlgpsmember.org/your-pension/planning/taking-your-pension/>

## Does the current value of my benefits mean how much pension I will get if I leave now?

Your statement shows the estimated value of benefits without any early retirement reductions or late retirement increases. If you take your pension benefits before NPa actuarial reductions may apply and if you take your pension benefits after NPa an increase will be applied. These reductions and increases are set by the Government Actuaries Department (GAD) and can change at any time, therefore are not included in the calculation of figures provided to you in this years' Annual Benefit Statement.

## What does “Maximum you can give up” mean?

Every member can give up (commute) a portion of their pension to receive a tax-free lump sum. For every £1 of annual pension given up you receive £12 tax free lump sum. In accordance with the Finance Act the total lump sum cannot be more than 25% of the value of your pension benefits. You will be told in advance of taking your pension benefits the maximum you can give up and the maximum lump sum to allow you to make a decision

## Do I have Final Salary or CARE benefits?

This depends on when you joined the Local Government Pension Scheme (LGPS). If you joined and left the scheme before 31 March 2015 you have accrued Final Salary benefits only.

If you joined the scheme after 31 March 2015, you have accrued CARE benefits only.

If you joined the scheme before 31 March 2015 and continued as an active member of the scheme after 31 March 2015 you will have accrued both Final Salary and CARE benefits.

## What are Final Salary benefits?

Final salary benefits are benefits built up to 31 March 2015. These were 1/80th for each year of membership of Final Salary up to 31 March 2009 and 1/60th for each year of membership of Final Salary from 1 April 2009 to 31 March 2015.

Final Salary benefits are linked to your Final Salary pay calculated at your date of leaving.

## How is my Final Salary pay calculated?

We use the Full Time Equivalent (FTE) pay provided by your employer, as at 31 March 2023. If you were to retire or leave the scheme, your Final Pay will be calculated more precisely based on the average FTE over your last 365 days of employment, or ‘best of the last 3 years’ if you receive variable pay.

Certificates of Protection and additional pensionable pay elements are not taken into consideration for the purposes of Annual Benefit Statements because we cannot accurately project what they may be when you choose to leave the scheme.

## What is Career Average Revalued Earnings (CARE) benefits?

From 1 April 2015 all members accrue CARE benefits. These are 1/49th of pensionable pay for members of the Main Scheme and 1/98th of pensionable pay for members of the 50/50 Scheme.

The Main Scheme is the default scheme for LGPS members, however you can choose to move to the 50/50 Scheme to pay less (and therefore accrue less) as a short term measure.

CARE benefits are linked to your actual pensionable pay and are banked each year. The banked pension pot is then index linked to the Consumer Price Index (CPI)

## Can I pay less?

Active members have the option to move into the '50/50' scheme. This allows you to pay half of your regular pension contributions, while building up half of your regular pension. If you have more than one

employment, you can opt into the '50/50' scheme for one, or all, of your employments. This is designed to be a short-term arrangement, and so your employer must re-enrol you back into the main section of the scheme every three years.

## How can I join the 50/50 scheme instead?

The application form and more information on the 50/50 scheme is available at [www.dumgal.gov.uk/pensions](http://www.dumgal.gov.uk/pensions) Reducing your contributions

## Can I pay more into my Pension?

Active members can pay more towards their pension by making 1) Additional Pension Contributions (APCs) or 2) Additional Voluntary Contributions (AVCs). Please refer to [www.dumgal.gov.uk/pensions](http://www.dumgal.gov.uk/pensions) Increasing your contributions

## How can I make Additional Pensions Contributions?

Additional Pension Contributions (APCs) is the purchasing of additional pension for retirement. If you follow the link provided, you can tailor a quote to meet your needs through the “Buy Extra Pension” option. From here, you can choose to either pay a lump sum towards buying extra pension or pay on a monthly basis. When completing this quote please note that in Q4 the employer does not pay any additional percentage. For a quote or to apply, please go to <http://www.scotlgps2015.org/apc/>

## How do I make Additional Voluntary Contributions?

Dumfries and Galloway Council Pension Fund’s AVC provider is Standard Life. Additional Voluntary Contributions (AVCs) are monthly payments that are invested in funds of your choosing. The value of your AVC is dependent on the stock market so may go up or down. Like your normal pension contributions AVC deductions come off your pay before tax, saving you money. For more information from our AVC provider, please go to <https://www.standardlifepensions.com/lgps>

## What happens when I get to 40 years membership in the scheme?

When accruing 80ths under the Final Salary scheme, membership was limited to 40 years. This rule was removed from 1st April 2009, and therefore 40 years’ membership no longer has any impact on your pension benefits or contributions.

## What options are there for me to retire early?

You can leave employment or request Flexible Retirement from age 55 and access your pension benefits. Your benefits will be subject to reductions as your pension is being paid early and therefore for longer. You need your employer’s consent to take Flexible Retirement, but not for normal retirement from 55.



## When can I get my pension?

If you have deferred pension benefits and are no longer working in the role in which you accrued those deferred benefits you can access your pension benefits from age 55. You do not need to stop working completely, as long as you are not working in the role in which you accrued those benefits.

If you are an active member, you can leave employment or request Flexible Retirement from age 55 and access your pension benefits.

Benefits taken before NPa are reduced as they are being paid earlier and therefore for longer.

## What is Flexible Retirement?

This is available to active members who wish to reduce their hours or pay grade, continue working and take their pension benefits. You then re-join the scheme and build another pension based on your reduced hours or pay grade which is accessed when you retire. Flexible Retirement requires your employer's permission. If pension benefits are taken before your NPa they are reduced as they are being paid earlier and therefore for longer.

## Do I need to transfer my pension out of the LGPS to access it?

No, there is no need to transfer your benefits out of the LGPS to access your pension. Simply contact us to advise when you would like to access and we'll guide you through the process.

## Is there a lump sum payable if I die?

If a member dies before age 75 a lump sum death grant may be payable.

A lump sum death grant of 3 x annual pensionable pay is payable if you die in while an active member.

A lump sum death grant equal to the balance of 10 years of annual pension is payable if you die within 10 years of retiring. \*

A lump sum death grant equal to 5 years of annual pension is payable if you die with deferred pension benefits.

\* if you left before 01/04/2009 the lump sum death grant is the balance of 5 years of annual pension.

## **How can I ensure the people I want to receive the death grant receive that money?**

It is important that you have an up to date nominated beneficiary on record. Your ABS shows who you have nominated. If you need to update your nominated beneficiary or no nomination is held on your record you can download a Nomination form from [www.dumgal.gov.uk/pensions](http://www.dumgal.gov.uk/pensions) Death Grant and Nominations

## **Will my spouse/partner/civil partner/child get a pension when I die?**

The amount of pension paid to survivors is determined at the member's date of death. Survivor pensions are paid to spouses and civil partners. Survivor pensions can also be paid to qualifying co-habiting partners and dependent children. You do not need to nominate a spouse/civil partner/co-habiting partner/dependent children as we will request this information from your next of kin when we are notified of your death, however it is useful to notify us if you change your marital status.

## **What happens if I change my hours?**

If you reduce your hours, the contributions you pay and the pension you accrue, will also reduce in line with the reduction. For example, if you reduce your hours by 20% the pension you accrue per year will also reduce by 20%. The reduction in pension accrual applies only to benefits you are building up going forward, all pension benefits already built up during your membership will not be affected.

Similarly, if you increase your hours, the contributions you pay and the pension you accrue will increase in line with your new hours.

## Why does the pension benefits I've accrued not match the value of contributions I've paid?

The pension contributions you pay are based on how much you earn and range from between 5.5% to 12% of your salary. Your employer will determine which rate of contributions you should be paying, and this may differ for separate employments.

The pension benefits you build up are also based on your pensionable pay but you accrue 1/49th (or 1/98th in the 50/50 scheme) of your pensionable pay each year.

Therefore, the total of your contributions per year will not match the pension benefits you accrue per year.

### For example:

Alex's annual pensionable pay is **£18000**.

Alex pays 5.5% in pension contributions:  
**£18000 x 5.5% = £900**.

Alex accrued pension for the year  
**£18000/49 = £367.35 a year index linked and is payable for life..**

## What does index linked mean?

Your pension benefits are linked to the Consumer Price Index (CPI) and are increased in line with CPI each year.

## How do I know if my previous pension benefits from another provider have been transferred in?

If you have had confirmation from the Pension Section that your transfer has been processed, please rest assured that it has been included in the calculation of your current and projected benefit figures; your transfer will not be shown separately. Please note a transfer will not change the "Date Joined Fund"; this is specific to the date you joined LGPS Dumfries and Galloway.

We continue to work on more recent transfer requests, however we do currently have a small backlog. If you are concerned about the status of your transfer, please get in touch.

### **I seem to be missing a statement(s). What should I do?**

The issuing of statements is a staged process. If you do not have all your 2023 statements you expect by the beginning of October 2023, please contact us to discuss further.

### **Can I merge all my pension records into one?**

If you have multiple employments, we are required by law to keep the pension record for each employment separate, even if they are with the same employer. If you leave one or more positions, you may have an opportunity to bring your records together, depending on the type and dates of membership. If you think this may apply to you, please contact us and we will log your request for this to be reviewed.

### **My job title isn't correct, how do I update it?**

Your job title has been provided by your employer as at 31 March 2023. Any subsequent changes (or changes immediately prior to this date) may not be reflected in your statement but will be updated in our system in due course.

You may also note that your job title appears to have been "cut off". Unfortunately, this is a character limited field within our system therefore we can only report a proportion of some job titles.

If you believe any of the other information within your statement is incorrect, please contact us.

### **How can I join an online Pensions Workshop?**

We regularly advertise online pensions workshops, Pre Retirement, Your Financial Wellbeing and Annual Allowance, throughout the year via email. To request to join a workshop, simply email the Pensions Section [pensions@dumgal.gov.uk](mailto:pensions@dumgal.gov.uk) with your details and which course you would like to attend. A member of the team will confirm if there are spaces available and send you joining instructions.

## **I have already attended a pensions workshop and I would like more information – what other options are available to me?**

The Pensions Section are available to answer questions and help you understand your LGPS pension. However, we are unable to offer financial advice, if you are looking for guidance on how to manage your pension(s), taking into consideration your personal circumstances, then we would suggest that you take independent financial advice. This may include but is not limited to advice regarding:

- transferring a pension
- which lump sum option you should take upon retirement
- decisions relating to paying additional contributions towards your pension tax advice.

To find an Independent Financial Adviser go to [www.unbiased.co.uk](http://www.unbiased.co.uk)

You can also find further information on pensions from the government service Pension Wise, from Money Helper. Please go to Pension Wise ([moneyhelper.org.uk](http://moneyhelper.org.uk))

## **How can I contact you to discuss my pension further?**

Please call us on 01387 273855, or email [pensions@dumgal.gov.uk](mailto:pensions@dumgal.gov.uk) with your telephone number and preferred time/days for us to reach you. We are available between 9am and 5pm, Monday to Friday. Please ensure you have your National Insurance number to hand. Following the distribution of our Annual Benefit Statements, our telephone lines are likely to be busy; please bear with us.

Please be aware that we cannot give you financial advice, nor can we assist with any tax-related matters. These should be directed to HMRC.