



Annual benefit statement 2017 – guidance notes

The Fund have provided these notes to explain your Local Government Pension Scheme (LGPS) annual benefit statement (ABS) 2017. These notes follow the same order as your ABS and should be read alongside your statement. These notes cannot cover every circumstance and if there is a dispute, the appropriate law will apply. They do not give you any rights under a contract by law.

Please note if you wish to take your benefits before your Normal Pension Age any early applied retirement reduction will not be included in your statement. Please visit the fund's website for information about the early retirement reductions that apply. Reductions relating to any pension sharing order or scheme pays debit are also not included in the statement. If either of these apply to your benefits you will have received a letter confirming the reduction applied.

It is important to check your pay and personal details in your statement and contact your employer if you have any queries about this information.

If you have any queries relating to the calculation of your pension benefits you should call the Pensions Team on 01743 252130, email at pensions@shropshire.gov.uk or visit the website www.shropshirecountypensionfund.co.uk

Your personal and employment information at 31 March 2017

Partnership status

The partnership status shown on your records is shown on your statement. If it is not correct, please forward the relevant original certificate to the Pensions Team.

Employer

This is your employer at 31 March 2017. If you were paying into the scheme for more than one job at this date, you will have an annual benefit statement for each job. If you left employment after 31 March 2017, you will receive a separate notice of your benefits built up to your date of leaving.

Section of LGPS

Since 1 April 2014 the LGPS has been a Career Average Revalued Earnings (CARE) scheme and there have been two sections to it – the main section and the 50/50 section. The section you were a member of on 31 March 2017 is shown on your statement.

Your CARE pensionable pay

From 1 April 2014, your CARE pension is calculated on your CARE pensionable pay during a scheme year (1st April to 31st March), which is provided by your employer to the Fund.

If you paid into the main section of the scheme during the year to 31 March 2017, the figure given for 'CARE pensionable pay – main section' is the pensionable pay you received while paying into the main section. If you work part-time, your pensionable pay represents your actual pay and is not a full-time equivalent.

The definition of pensionable pay in the CARE scheme includes any pay received for extra hours worked such as overtime and additional hours. This part of your earnings is not included in the final salary calculation of your pensionable pay, unless overtime or additional hours formed part of your contract.

If you are (or have been) off work due to sickness, injury or during relevant child-related leave and you received reduced or no pay (nil pay), the pensionable pay figure used to work out your pension for this period is your assumed pensionable pay (APP). APP is worked out as the pay you were receiving before your pay reduced or stopped. This means that you will continue to build up a similar pension to that you would have had if you had been working normally and receiving pay.

If you have any period of relevant child-related leave (for example, ordinary maternity leave, paternity leave, adoption leave, paid shared parental leave or any paid additional maternity or adoption leave), the pensionable pay figure used to work out your pension is again your APP. ('Ordinary' maternity leave is the first 26 weeks of maternity leave and 'additional' maternity leave is the last 26 weeks.)

Any period of unpaid additional maternity or adoption leave will not count for pensionable pay purposes. You can buy pension 'lost' during these periods by choosing to pay additional pension contributions (APCs). An APC calculator is available on the [national LGPS website](#).

If you are a member of the 50/50 section who goes onto nil pay while on child-related leave or sick leave, you will be put back in the main section from the beginning of the next pay period (if you are still on nil pay at that time).

For a full explanation of final salary and CARE pensionable pay and how any periods of authorised unpaid leave may affect it, please visit the Fund's [website](#).

Your final salary pensionable pay

If you became a member of the LGPS before 1 April 2014, or have transferred in membership with a final salary link, your final salary pensionable pay shown in your statement is your full-time equivalent pay for the year to 31 March 2017. This information has been provided by your employer. If you joined the LGPS on or after 1 April 2014 and have not transferred in membership with a final salary link, this section will show zero. (Your 'pensionable pay' is the pay that your pension is based on.)

Your CARE pensionable pay – 50/50 section

If you paid into the 50/50 section of the scheme during the year to 31 March 2017, the figure shown in your statement is the pensionable pay you received while paying into the 50/50 section.

The pay in this section is based on the definition of CARE pensionable pay above. If a figure is shown here, it means you have chosen to be in the 50/50 section. Your 50/50 section CARE pensionable pay is split from your main section CARE pensionable pay so that you can check the pension you have built up in each section. If you were a member of both the main section and the 50/50 section of the scheme at different times during the scheme year, you will have figures shown for both.

Your summary of total benefits at 31 March 2017

Annual pension

This is the total value of your pension at 31 March 2017, including your final salary pension (membership up to 31 March 2014) and CARE pension (for membership from 1 April 2014), which would start to be paid at your normal pension age (NPA) which is linked to your individual State Pension Age shown on your statement. The figures shown here in your statement include late retirement factors applied to your final salary benefits from age 65 to your NPA.

Lump sum retirement grant

This is the lump sum relating to your membership before 1 April 2008 and is paid at your normal pension age (NPA). Under current HM Revenue & Customs (HMRC) rules, the lump sum is tax free.

You can take some of your annual pension as a lump sum, to increase any lump sum you may already have relating to your membership before 1 April 2008. HM Revenue & Customs (HMRC) limits will apply, but every £1 of your annual pension you give up provides a lump sum of £12.

Tax and pension benefits

Lifetime allowance

The lifetime allowance (LTA), set by HM Revenue and Customs (HMRC), is the limit on the total value of pension benefits you can draw from all pension arrangements without paying an extra tax charge. The standard LTA was reduced from £1.25million to £1million from 6 April 2016.

If the percentage of standard LTA shown on your statement is more than 100%, you may have to pay a lifetime allowance tax charge when your benefits are paid to you. This may also be the case if you have other pension benefits (including in-house additional voluntary contributions (AVCs), which are not included in this statement) that, when combined with your LGPS benefits, have a value of more than the LTA.

If the value of your benefits is higher than the available LTA, there were and are schemes that allow you to protect your lifetime allowance.

You can check if you already have protection but you will need an account for HM Revenue and Customers (HMRC) online services [found here](#).

The LTA value of your pension benefits is calculated by multiplying your annual pension by 20 and adding any lump sum you draw from the pension scheme to obtain the 'capital value'.

If the capital value of your LGPS benefits is more than your lifetime allowance you will have to pay additional tax on the excess. If your excess benefits are paid as a pension the additional tax charge will be 25% of the excess benefits (income tax will still continue to be deducted on your ongoing pension payments). If the excess benefits are taken as a lump sum they will be taxed once only at 55%.

The excess tax charge will be paid by the Fund, however this will be in return for a permanent reduction to your pension/ lump sum – this is called a lifetime allowance debit.

Individual Protection 2016 (IP2016) is available if your pension benefits had a value of more than £1million on 5 April 2016. You can find out more information on the [gov.uk website](#). You cannot apply for IP2016 if you already have Individual Protection 2014 (IP2014).

Another type of lifetime allowance protection, Fixed Protection 2016, does not apply if you stayed a member of the LGPS after 5 April 2016, as further benefits would have built up, causing the protection to be lost. If you applied for this protection, you must tell HMRC that the protection was lost from 6 April 2016.

There is more information about the LTA tax limit on the fund's website or by visiting the [gov.uk website](#).

Annual Allowance

The annual allowance is set by HM Revenue & Customs (HMRC). It is the amount your pension savings can increase by in any one year without you having to pay a tax charge. The annual allowance for the 2016/2017 tax year was £40,000.

The period your pension is measured over to assess its growth against the annual allowance is known as the pension input period (PIP). From 6 April 2016, the PIP for all pension schemes is aligned with the tax year (6 April to 5 April). You will only have a tax charge if the value of your pension savings for a tax year increases by more than the annual allowance.

The increase in value is known as the 'pension input' amount. The pension input amount does not include any additional voluntary contributions (AVCs) you may be making.

If you have pension benefits elsewhere, you will need to take these into consideration as well when calculating your pension input amount.

There is a 'carry forward' which allows unused allowance from the three previous pension input periods to be offset against any excess in the current year. You will only have a tax charge if the value of your pension benefits for a tax year increases by more than the annual allowance and you do not have enough unused allowance from the three previous pension input periods to offset the excess.

If our records show that you have exceeded the annual allowance in 2016/17 you will receive a pensions savings statement so you can work out whether you have to pay a tax charge.

More information about the annual allowance, including the tapered annual allowance for higher earners, can be found on the [Fund's website](#). You can check your Annual Allowance by visiting the 'Annual Allowance' screen on 'My Pension Online'. This screen takes into consideration your Annual Allowance used up across all of your LGPS pensions in the Shropshire County Pension Fund. If you are not sure about anything to do with your annual allowance, please contact the fund.

Maximum Lump Sum Retirement Grant Option

Reduced annual pension

This is the current value of your reduced pension if you choose to take the maximum lump sum retirement grant allowed under HMRC rules. This will be paid at your normal pension age (NPA).

Increased lump sum retirement grant

This is the current value of the maximum lump sum retirement grant available to you if you reduce your annual pension. This is paid at your normal pension age (NPA).

When you draw your pension benefits you will have the option to exchange part of your pension for lump sum, within certain limits set by HM Revenue and Customs. For every £1 of pension you exchange you will be provided with £12 of tax free lump sum. You can take up to 25% of your pension pot as tax free cash.

These figures do not include any in-house additional voluntary contributions (AVCs) you may have. The Prudential or Equitable Life will issue a separate statement showing any in-house AVC fund value.

This section shows your total benefits built up to 31 March 2017 and assumes that you will take your pension benefits at your NPA, which is the date you reach age 65 or your State Pension age (whichever date comes later). Your benefits shown will be reduced if they are paid before your NPA. **The early retirement reduction is not included in your statement.** Please visit the fund's [website](#) for information about the early retirement reductions that may apply.

Please note reductions relating to a pension sharing order or a scheme pays debit are also not included in this statement. If either of these apply to your benefits you will have a letter confirming the reduction to be applied to your pension benefits.

Value of death in service benefits at 31 March 2017

Lump sum death grant

If you die while you are an active member of the LGPS, a death grant is paid. The amount of death grant payable would be three times your assumed pensionable pay at your date of death. However, if you die while you are an active member and also have deferred benefits in the LGPS, are receiving an LGPS member pension (not a survivor's pension) or a suspended 'tier 3' ill-health pension (or both), the amount of the death grant would be:

- the total of all death in service lump sums; or
- the total of all death grants from the deferred pension, pension in payment, or suspended tier 3 ill-health pension records; whichever is greater.

Annual survivor's pension

A survivor's pension is paid if, when you die, you are married, have a civil partner or eligible cohabiting partner (someone you live with who would be entitled to a survivor's pension).

We have used the partnership status we have on our records to decide the survivor's benefit shown on your statement.

1. If our records show you are single, no benefit will be shown.
2. If you have declared a cohabiting partner, the survivor's benefit shown will be based on your membership after 5 April 1988 and any membership before 6 April 1988 bought by an additional survivor benefits contribution (ASBC).
3. If your status on our records is married or in a civil partnership, the survivor's benefit shown will be based on all your LGPS membership.
4. Survivor's pensions may be paid to eligible children. However, the rates of these pensions are not shown on your annual benefit statement.

If your partnership status is incorrect, please forward the relevant original certificate to the Fund.

If you have not told the Fund your partnership status, when you die, any eligible survivor's pensions will still be paid as long as the Fund receives the relevant marriage or civil partnership certificate or, in the case of cohabiting partners, evidence that they meet the requirements for receiving a survivor's benefit.

The survivor's pension shown in your statement is based on the total of your final salary survivor's pension built up to 31 March 2014, any added years bought, any additional regular contributions (ARCs) that included a survivor's pension element, and the survivor's pension due under the CARE scheme. It does not take account of any deductions relating to a pension sharing order or scheme pays debit.

If you die after leaving the LGPS, a survivor's pension is still paid but could be a lower amount. Please see the Fund's website for more details about the qualifying conditions for benefits for surviving partners.

This section shows separately the values of your final salary benefits (if this applies) and your Career Average Revalued Earnings (CARE) pension. Although the final salary and CARE pension parts are worked out differently, they form a single benefit, with both parts being linked and taken together.

Your Career Average Revalued Earnings (CARE) Benefits

You must check the pay figures quoted in the statement. If you think they are incorrect, please contact your employer, not the Pensions Team, as the pay figures quoted have been supplied by your employer.

Amount of CARE pension built up in year

In-year build-up

For membership from 1 April 2014, you have built up CARE pension. Each scheme year you are a member, your CARE pensionable pay will be divided by either 49 (if you are in the main section) or by 98 (if you are in the 50/50 section). The resulting amount (or amounts) is added to your pension account for that year and your pension earned for this scheme year will be listed in the 'main section' and in the '50/50 section' of your statement (if applicable).

This figure is the 'in-year build-up' for the year to 31 March 2017.

Additional pension bought and transfers in

Any additional pension that you have bought during the scheme year (April 2016 – March 2017), under an additional pension contribution (APC) or shared-cost additional pension contribution (SCAPC) arrangement will be shown in this section. Any CARE 'earned pension' credited as a result of you transferring in pension rights from other schemes will be shown in 'Transfers in'.

If you chose to buy additional service or pension, or if you transferred in other benefits before 1 April 2016, these are not shown in this section but will be included in the calculation of your total pension benefits.

Previous closing balance

Your pension built up between 1 April 2016 and 31 March 2017 including any adjustment applied at 1 April 2016, will be shown here.

Cost of living adjustment

Your total CARE pension is adjusted on 1 April each year in line with HM Treasury Revaluation Orders. The adjustment can increase or reduce the value of your CARE pension, depending on the rate set by the Government.

In April 2016, the HM Treasury Revaluation Orders were negative. This means the value in your pension account has seen a reduction of -0.1% for this year. This is shown in the field 'Cost of living adjustment' and is applicable to your CARE pension as at 1 April 2016.

This doesn't affect the benefits that you've built up before 1 April 2014.

Your final salary benefits

Final salary pensionable pay

This is your pay on under the definition of the final salary scheme and includes your normal pay, contractual shift allowance, bonus, contractual overtime (**but not non-contractual overtime or additional hours**), Maternity Pay, Paternity Pay, Adoption Pay, and any other taxable benefit specified in your contract as being pensionable.

If you joined the LGPS on or after 1 April 2014 and have not transferred in membership with a final salary link, the final salary pension amount on your statement will be shown as zero. If you have final salary benefits, how these are worked out is shown below.

If you worked part-time before 31 March 2014, your final salary is converted to its full-time equivalent and your membership adjusted to the contractual hours you worked (including term-time weeks). The membership used in the final salary calculation includes any pension rights transferred in from previous pension schemes.

Total final salary annual pension

- For membership to 31 March 2008: 1/80th of your final salary pensionable pay for each year you were a member of the scheme.
- For membership from 1 April 2008 to 31 March 2014: 1/60th of your final salary pensionable pay for each year you were a member of the scheme.

Lump sum retirement grant

- The lump sum retirement grant based on membership to 31 March 2008: 3/80th of final salary pensionable pay for each year you were a member of the scheme

Estimated pension benefits to normal pension age

This section shows the benefits built up if you stay in the scheme until your normal pension age (NPA). The date shown in this section is your current NPA, which is your State Pension age or age 65, whichever comes later, and is the date when your benefits can be paid unreduced. Your NPA may change if your State Pension Age changes in the future, before your benefits are paid. Your NPA only applies to benefits built up in the CARE scheme. The NPA for benefits built up in the final salary scheme is 65. However, final salary benefits and CARE benefits must be taken at the same time.

You can take your benefits earlier than your normal pension age, from age 55 onwards, although the amount may be reduced if you do. **The figures in this statement do not take account of any early retirement reductions that would be applied.** The current reductions can be viewed on the Fund's [website](#).

If your normal pension age is after age 65 and you have final salary benefits, an increase will apply to these benefits for the period from age 65 to your normal pension age. Any late increases are included in this statement. The rates of late retirement increases have been reduced since the 2016 benefit statements were issued. The late retirement increases are based on the rates in the current guidance issued by the Department for Communities and

Local Government. This guidance is reviewed and the rates may go down or up. The rates in place at the date you retire will apply.

When you leave the scheme, your final salary benefits will be based on your final salary pensionable pay. This is generally the contractual pay you received for the 12 months before leaving, or for one of the two years immediately before then, if that amount is higher.

The estimate of your benefits is based on your CARE pensionable pay for the scheme year that ended 31 March 2017. It assumes that your pay will stay at the 2016/2017 rate until your NPA and does not assume pay inflation or inflation under HM Treasury Revaluation Orders for future benefits built up under the final salary, or CARE schemes.

The estimated CARE benefits include any additional pension contributions (APCs) or shared cost additional pension contributions (SCAPCs) bought. But do not take account of any deductions that would be due as a result of your decision to have an annual allowance tax charge recovered from your pension benefits or pension sharing orders. The estimate assumes that you stay in the same section of the scheme that you were in at 31 March 2017.

Survivor's pensions from members who marry or enter civil partnerships while active members of the LGPS are based on all scheme membership. However, survivor's pensions for cohabiting partners and for those who marry or enter a civil partnership after leaving active LGPS membership may not be worked out on the same basis.

Once in payment your LGPS pension is treated as a source of income for tax purposes.

Contact Details for Shropshire County Pension Fund

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