



## **Annual benefit statement 2018 – guidance notes**

**We have provided these notes to explain your Local Government Pension Scheme (LGPS) annual benefit statement (ABS) 2018. 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. Your statement does 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 any pension sharing order in place.**

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](mailto:pensions@shropshire.gov.uk) or visit the website [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

### **Your personal and employment information at 31 March 2018**

#### **Partnership status**

Your partnership status shown on your pension fund (the fund) records is shown on your statement. If it is not correct, please forward the relevant original certificate to the Pensions Team.

#### **Employer at 31 March 2018**

This is your employer at 31 March 2018. 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 2018, 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 2018 is shown on your statement.

Your 'pensionable pay' is the pay that your pension is based on. The two definitions of pay are explained below.

#### **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 2018. 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. The definition of pay in the final salary scheme 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.

#### **Your CARE pensionable pay – main section**

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

If you paid into the main section of the scheme during the year to 31 March 2018, the figure given for 'CARE pensionable pay in 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 CARE pensionable pay – 50/50 section**

If you paid into the 50/50 section of the scheme during the year to 31 March 2018, 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.

### **Summary of total benefits**

*This section shows your total benefits built up to 31 March 2018 and assumes that you will take your pension benefits at your normal pension age (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. This reduction is not included in this statement. Please visit our [website](#) for information about what reductions may apply.*

### **Annual pension**

This is the total value of your pension at 31 March 2018, 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 NPA, once your employment ends. The figures shown include a late retirement increase applied to your final salary benefits from age 65 to your NPA if this is later.

### **Lump sum retirement grant**

This is the lump sum relating to your membership before 1 April 2008 and is paid at your NPA at the same time as your annual pension. If you were not a member of the LGPS in this Fund before 1 April 2008, this section will show as zero.

You can reduce your annual pension, to increase any lump sum you may already have relating to your membership before 1 April 2008, or if you don't have an automatic lump sum (as you joined the LGPS after this date) you can also reduce your pension to provide one. HM Revenue & Customs (HMRC) limits will apply, but every £1 of your annual pension you give up provides a lump sum of £12. Under current HMRC rules, the lump sum is tax free.

### **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 £1million for the 2017/18 tax year and is £1.03million for 2018/19.

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 any 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 but there are options which allow you to protect your lifetime allowance. More information about the LTA tax limit can be found 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 in any one year without you having to pay a tax charge.

The increase in value is known as the 'pension input' amount. The pension input amount does not include any additional voluntary contributions (AVCs). 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 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 in line with the tax year (6 April to 5 April).

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

There is a 'carry forward' which allows unused allowance from the three previous pension input periods to be used if you have any excess in the current year.

The annual allowance for most members during 2017/2018 tax year was £40,000, except for some members who may have what is known as a tapered annual allowance. Most people will not be affected by the annual allowance tax charge because the value of their pension savings will not increase by more than £40,000 in a year, or if it does, they may be able to use their carry forward allowance from previous years.

If our records show that you have exceeded the annual allowance in 2017/18 you will receive a pensions' savings statement so you can work out whether you have to pay a tax charge. Your statement does 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.

You can find more information about the annual allowance, including the tapered annual allowance for higher earners, 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 your LGPS pensions in the Shropshire County Pension Fund.

## **Maximum Lump Sum Retirement Grant**

### **Reduced annual pension**

This is the current value of your reduced annual pension if you choose to take the maximum lump sum retirement grant allowed under HMRC rules. This will be paid at your NPA once you have left your employment.

### **Increased lump sum retirement grant**

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 HMRC. Every £1 of pension you give up provides £12 of tax free lump sum. You can take up to 25% of your pension pot as tax free cash.

The 'increased lump sum retirement grant' figure is the maximum lump sum retirement grant you can receive if you reduce your annual pension. This is paid at NPA . These figures do not include any in-house additional voluntary contributions (AVCs) fund you may have. If you wish to take some, or all, of your AVC Fund as a lump sum, this will reduce your maximum lump sum retirement grant options. The Prudential or Equitable Life will issue a separate statement showing any in-house AVC fund value.

## **Value of death in service**

### **Lump sum death grant**

If you die while you are an active member of the LGPS and are under age 75, a death grant is paid. The amount of the death grant would be three times your assumed pensionable pay at the date you die. However, if you die while you are an active member and also have deferred benefits in the LGPS or 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 greater of:

- 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;

### **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 Pensions Team.

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.

Please see the fund's website for more details about the requirement that cohabiting partners need to meet to qualify for a survivor's pension.

The survivor's pension shown on 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.

### **Your Career Average Revalued Earnings (CARE) benefits**

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. 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 used have been supplied by your employer.

#### **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 is added to your pension account for that year. This figure is the 'in-year build-up' for the year to 31 March 2018.

#### **Additional pension bought and transfers in**

Any additional pension that you have bought during the scheme year (April 2017 – March 2018) 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 2017, these are not shown in this section but will be included in the calculation of your total pension benefits.

### **Your total CARE account**

#### **Previous closing balance**

Your CARE pension balance from the previous year 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.

In April 2017, the HM Treasury Revaluation Orders set the increase at 1%. This means the value in your pension account increased by 1%.

### **Your final salary benefits**

If you joined the LGPS on or after 1 April 2014 and have not transferred in membership with a final salary link, this section of your statement will be shown as zero. If you have final salary benefits they are worked out as 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.

#### **Final salary annual pension calculation**

- For membership to 31 March 2008: 1/80th of your final salary pensionable pay for each year you were a member of the scheme (proportioned for members working part time during this period)
- 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 (proportioned for members working part time during this period)

#### **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 (proportioned for members working part time during this period)

### **Estimated pension benefits to normal pension age (NPA)**

The age shown is your current NPA, which is your State Pension age or age 65, whichever comes later. 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 and you must have left the job in which your pension benefits relate.

You can take your benefits earlier than your NPA, 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 NPA 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 NPA. **These increases are included in this statement.** The increases are based on the rates in the current guidance issued by the Ministry of Housing and 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 on 31 March 2018. It assumes that your pay will stay at the 2017/2018 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. They 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 2018 until your NPA.

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**

**Phone:** 01743 252130

**Email:** [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk)

**Website:** [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

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