

Pension Benefit Statement

Guidance Notes- 2017 (Lancashire)

Your annual benefit statement shows, as at 31 March 2017, the pension benefits you have built up in respect of membership before 1 April 2014 under the final salary scheme (if applicable) and also the pension built up since the change to a CARE (career average revalued earnings) scheme on 1 April 2014.

For each scheme year that you are a member from April 2014, a pension equal to a 49th of your pensionable pay will be added to your pension account. If you have elected to pay into the 50/50 section then, while you are in that section, a pension equal to a 98th of your pensionable pay will instead be added to your pension account.

The projected benefits do not reflect any future cost of living adjustments as we cannot predict what these may be.

Please also note that the projection does not include any actuarial reductions that may apply if you take your benefits earlier than your Normal Pension Age (NPA). See also 'Other points to note' section below. Actuarial increases are included if you are over age 65 at 31 March 2017. Please note that the government have, with effect from 15 March 2017, reduced the factors we use to calculate the increase. For more information, please see <https://www.yourpensionservice.org.uk/news/?id=2017/02/03/80949&news=882&page=pr&>
It should be noted that these factors may change in the future.

Your Normal Pension Age (NPA) shown on your statement is linked to your State Pension Age (SPA) but this will change if the Government changes the SPA in the future. If your SPA is earlier than your 65th birthday, your NPA will instead be your 65th birthday.

For the purposes of this statement we have assumed your marital status (unless you have declared a cohabiting partner) so that we can project any potential survivor benefits. Please note that survivor benefits are only payable upon your death to your eligible children and your surviving spouse, surviving civil partner or surviving cohabiting partner (provided your relationship met certain conditions).

If you are paying or have previously paid 'Additional Voluntary Contributions' (AVCs), these are treated separately and are not included in the pension amounts quoted on your statement. You should receive an AVC statement each year from your AVC provider detailing the value of your AVC fund.

Benefits are adjusted in line with inflation to ensure that your pension account keeps up with the cost of living.

For further information about the LGPS 2014 Scheme please see our website; www.yourpensionservice.org.uk

Section A- Final Salary Benefits

This section will only apply if you have membership in the scheme prior to 1 April 2014. Your Final Salary benefits are calculated as follows:-

Annual Pension: $\frac{1}{80}$ th x membership to 31/03/2008 x Final Salary pay; PLUS $\frac{1}{60}$ th x membership from 01/04/2008 to 31/03/2014 x Final Salary pay.

Automatic tax-free Lump Sum:

$\frac{3}{80}$ th x membership to 31/03/2008 x Final Salary pay.

NO automatic tax-free lump sum is payable on membership from 01/04/2008.

If you joined the LGPS on or after 1 April 2014, then Final Salary Benefits will not normally apply.

The **final salary pensionable pay** used in the benefit statement is based on pay figures provided by your employer. In most cases this will be your annual full time equivalent rate of salary as at 31 March 2017. The actual final salary pensionable pay when you come to retire will be based on the 2008 scheme definition of pensionable pay, which will also include any extra pensionable payments you receive that fall under that definition. Benefits will normally be based on the final salary pensionable pay you earn in your final year of membership. However, final salary pensionable pay earned in either of the two preceding years will be used instead if higher.

If you are a part-time or term-time employee we use the final salary pensionable pay that a full-time (52 week paid) employee would earn in the same post.

Example: If a part-time and term-time employee, who works 18.50/37.00 hours per week for 44.30 weeks per year, earned pensionable pay of £5,000.00 during the final year, the pay used to calculate the member's pension benefits would be £11,738.15, i.e. the full-time pay for that post (£5,000.00 x 37/18.50 hours x 52/44.30 weeks = £11,738.15).

The **total membership** that is included in the calculation of your final salary benefits is membership from your date joined scheme to 31 March 2014. If you work part-time and/or term-time only, we reduce your total membership to reflect the reduced number of hours or weeks that you work. For further information regarding this please see our factsheet; **How part-time and term-time membership is calculated** on our website.

Total membership also includes any membership transferred from a previous pension provider as long as this bought final salary membership. If the transfer bought additional CARE pension, this will be shown in section B.

If you have elected to purchase added years and/or additional pension to increase your final salary benefits, the total pension amount includes the additional amount purchased as at 31 March 2017. These amounts are not shown separately.

Full details of your total membership in the final salary scheme i.e. to 31 March 2014 can be found on the '2017 ABS Service History Document'.

Important: The final salary pensionable pay used is for guidance only and could go up or down before you actually leave the scheme. These values represent the current value of pension benefits based on accrued membership at 31 March 2014. They do not reflect any actuarial reductions that may apply if your benefits are released earlier than your Normal Pension Age (NPA). Actuarial increases will apply if your final salary benefits are released later than age 65 and are included in the statement if you are already age 65 or over at 31 March 2017.

Section B- Career average pension benefits

For each year from 1 April 2014, you will build up a pension based on 1/49th of your pensionable pay in that year (see Main Section Pay on your statement). If you opted to join the 50/50 section of the scheme then you instead build up, while in that section, a pension based on 1/98th of your pensionable pay (see 50/50 section pay on your statement). Benefits are adjusted in line with inflation to ensure that your pension account keeps up with the cost of living.

If you had a period of membership in the main section (1/49th accrual) and a period in the 50/50 section (1/98th accrual), the benefits are shown separately.

The statement shows the total pension built up from 01/04/2014 (start of CARE scheme) to 31/03/2017 including any additional pension bought (APCs) or pension transferred in from another provider, within that year.

Important: The benefits calculated in this section of the statement are based on the pay figures provided by your employer. It is important that you check this and the pension built up within this section and contact your employer to report any perceived inaccuracies. If you are registered for the My Pension Online system you can find more detail about the pay used to calculate your career average pension.

If you have had a period of reduced or no pay due to sickness or injury, or a period of child related leave (i.e. ordinary maternity leave, ordinary adoption leave, paternity leave, paid additional maternity leave, paid additional paternity leave, paid shared parental leave or paid additional adoption leave) or a period on reserve forces service leave, your employer should have confirmed the assumed pensionable pay (based on the average pay received in the 3 complete months before the leave) which you are treated as receiving for that period when calculating your CARE benefits. This means that the CARE pension you build up while on such leave is protected.

Section C- Summary of total benefits at 31/03/2017

The total of your benefits from Section A (final salary benefits) and Section B (CARE benefits) are shown in Section C. This is the total estimated pension you may receive at retirement based on membership to 31 March 2017. These are the benefits that would have been payable to you if you had attained your normal pension age and retired on 31 March 2017.

Section D- Value death in service benefits at 31/03/2017

The figures shown in this section assume that you are married or in a civil partnership at 31 March 2017 (unless you have declared a cohabiting partner) and assume that you died in active service on 31 March 2017.

In the event of your death as an active member, a lump sum death grant of three times your Assumed Pensionable Pay (APP) (an average of the pensionable pay received during the 3 complete months or 12 week period if weekly paid, before your date of death) may become payable. In most cases, the death grant is tax free.

Upon your death, a pension may be payable to your surviving spouse, civil partner or, provided your relationship met certain conditions, to a cohabiting partner. You are not required to complete a form to nominate a cohabiting partner for entitlement to a cohabiting partner's pension. However, you can provide us with your cohabiting partner's details at any time. We will require evidence from your cohabiting partner upon your death to check that the conditions for a cohabiting partner's pension are met, so if your circumstances change in the future please remember to update us.

Partner pensions (assuming married or in a civil partnership) payable following a death in service are generally calculated as follows:

Final salary survivor pension (if pre 1 April 2014 membership)

Final pay x pre 1 April 2014 membership x 1/160

Plus

CARE survivor pension

A pension for each year from 1 April 2014 to date of death based on 160th of the pensionable pay (or assumed pensionable pay) received in that period. The pensions are adjusted in line with inflation to ensure that they keep up with cost of living.

Plus

Death in service enhancement

Assumed pensionable pay (i.e. average pay received in the 3 complete months before death) x period between the date of death and State Pension Age (or 65, if later) x 1/160.

Partner pensions payable to a cohabiting partner will not include any pre 6 April 1988 membership (unless you have elected to pay for some or all of that membership to count).

Also see the section below called "Post retirement marriages".

Survivor benefits are reduced if following divorce/dissolution of civil partnership, the member benefits are subject to a pension sharing order.

Additionally, a pension may also be payable upon your death to your children provided they meet certain conditions. The calculation of which will depend on the number of eligible children and whether a pension is also payable under the Scheme in respect of you to your surviving spouse, civil partner or cohabiting partner.

If you also have a deferred pension, suspended Tier 3 ill health pension or a pension in payment from an earlier period of LGPS membership in England or Wales, the lump sum death grant payable if you were to die as an active member is the greater of that in respect of your active period of membership (as shown) OR the lump sum death grant due from any of your earlier benefits. If your active lump sum death grant is greater, no lump sum death grant will be payable in respect of the earlier benefits. However, if the lump sum death grant from your earlier benefits is greater, NO lump sum death grant will be paid in respect of your current period of membership.

You may check who you have nominated to receive a death grant on member self-service. If you wish to change or make a nomination please download and complete an 'Expression of Wish' form on our website.

Section E- Projections if you remain contributing in the scheme until your Normal Pension Age (NPA)

Section E assumes that you continue earning the amount of salary paid to you in the year to March 2017 until your Normal Pension Age (NPA). Your NPA is linked to your State Pension Age (SPA) and may therefore change in the future. If your SPA is earlier than your 65th birthday, your NPA will instead be your 65th birthday.

The total estimated pension includes your final salary benefits (based on an estimated final salary pensionable pay), the career average pension built up to 31 March 2016 and the estimated career average pension to NPA based on earnings from April 2016 to March 2017. If you have not been a member of the scheme for a full year since 1 April 2016 then the CARE pay earned has been grossed up to a full year equivalent for the purpose of projecting forward.

The automatic lump sum is also shown again here and is based on current estimated full time equivalent final pay.

The projected career average pension assumes that you remain in the same section of the scheme (main section or 50/50 section) that you were in on 31 March 2017 until NPA. To calculate the projected career average pension from 1 April 2017 to your NPA, the following formula applies:

The CARE pay received in the year to March 2017 multiplied by the years and days to your normal pension age.

This amount is divided by 49 if you are in the main section or 98 if you are in the 50/50 section of the scheme to calculate the estimated pension benefit. Add this to the pension built up between 1 April 2014 and 31 March 2017 and this equals the 'Estimated career average pension to NPA'. The projected benefits do not reflect any future cost of living adjustments as we cannot predict what these may be.

If you are paying additional contributions to purchase extra CARE benefits or extra final salary benefits, the projection assumes that you will pay the full amount of the required additional contributions.

Other points to note:

Normal Pension Age (NPA)- reductions and increases

Normal Pension Age is linked to your State Pension Age for benefits built up from April 2014 (but with a minimum of age 65) and is the age at which you can take the pension you have built up in full. If you choose to take your pension before your Normal Pension Age it will normally be reduced, as it's being paid earlier. If you take it later than your Normal Pension Age it's increased because it's being paid later.

If you were paying into the LGPS before 1 April 2014 your final salary benefits retain their protected Normal Pension Age - which for most is age 65.

However all pension benefits drawn on normal retirement must be taken at the same date i.e. you cannot separately draw your final salary benefits (built up before April 2014) at age 65 and your benefits in your pension account (built up from April 2014) at your Normal Pension Age (which for your benefits built up from April 2014 is linked to your State Pension Age but with a minimum of age 65).

The Normal Pension Age shown on your statement is the NPA in respect of your benefits built up from April 2014 – i.e. your SPA or your 65th birthday if later.

So, generally, assuming your SPA is later than 65 –

If you retire before age 65, both your final salary benefits and CARE benefits will be actuarially reduced.

If you retire on your 65th birthday, your final salary benefits will not be actuarially adjusted but your CARE benefits will be actuarially reduced.

If you retire between age 65 and your SPA, your final salary benefits will be actuarially increased and your CARE benefits will be actuarially reduced.

Note that if you joined before 1 October 2006, you may have protection which means that some or all of the actuarial reduction wouldn't apply upon early retirement.

If you retire on your SPA, your final salary benefits will be actuarially increased and your CARE benefits will not be actuarially adjusted.

If you retire after your SPA, both your final salary benefits and CARE benefits will be actuarially increased.

If you retire after age 65 then your final salary benefits will be increased by 0.010% (pension) and 0.001% (lump sum) for each day between your 65th birthday and your retirement date. If you are over age 65 at 31 March 2017 then these increases are included in your statement.

If you retire after your SPA (or 65th birthday if later) then your CARE benefits will be increased by 0.010% (pension) and 0.001% (lump sum) for each day between that date and your retirement date. If you are over your NPA at 31 March 2017 then these increases are included in your statement. Please note that these increase factors may change in the future.

The benefit statement does not include any potential actuarial reductions should you decide to take your benefits earlier than your Normal Pension Age.

Lump sum & maximum conversion

If you joined before 1 April 2008, you will be entitled upon retirement to an automatic lump sum and an annual pension. Otherwise, you will only be entitled to an annual pension. Either way, you may elect to increase the automatic lump sum or to receive a lump sum, as the case may be, by converting part of your annual pension. The current rate of conversion is £12 lump sum for each £1 of annual pension. This option is subject to certain restrictions in respect of the maximum amount of lump sum that may be received and full details will be provided to you shortly before retirement.

Post retirement marriages

Please note that partner benefits will differ where a post leaving marriage/civil partnership occurs. A pension for a widow of a post leaving marriage will not include any pre 6 April 1978 membership. A pension for a widower of a post leaving marriage, a survivor of a same sex post leaving marriage, or a civil partner of a post leaving civil partnership will not include any pre 6 April 1988 membership.

Cohabiting partner survivor benefits

An eligible cohabiting partner benefits will not include any pre 6 April 1988 membership (unless you had elected prior to 1 April 2014 to pay for some or all of that membership to count).

Pension debits and scheme pay offsets

If your benefits have been subject to a Pension Sharing Order (following a divorce or dissolution of a civil partnership), the figures on the statement do not take account of the reduction to benefits imposed by the Pension Sharing Order. The amount of the reduction will be calculated when your benefits are paid.

If at any time you have breached the annual allowance and elected for the Scheme to pay the tax charge, the figures on the statement do not take account of the reduction to benefits to meet the tax charge. The amount of the reduction will be calculated when your benefits are paid.

The statement provided is an estimate only and not a guarantee of the actual benefits you could receive. Please refer to our website for further information regarding your statement. You should consult Your Pension Service before making any decisions with regards to these pension benefits. If you are unhappy with the accuracy or any decision made in relation to your pension please inform your employer or the Pensions Helpdesk in the first instance. If you are still dissatisfied after this you have the right to appeal - further details can be found on our website.

All data held is for the purpose of administering the pension scheme and paying pension benefits. The administrators have a legal obligation and a legitimate interest under the Data Protection Act 1998 in processing data as a result of your membership of the scheme. This may include passing such data to the actuary, administrators, auditors, insurers, lawyers and such other third parties as may be necessary for the operation of the scheme. Lancashire County Council and Cumbria County Council as administering authority for their respective LGPS fund, are the data controller under the Data Protection Act for their respective fund. Both Lancashire County Council and Cumbria County Council remain legally responsible under the Data Protection Act 1998 for their own data with Local Pensions Partnership Ltd processing the data on their behalf.