

Deferred Diaries

Deferred Benefit Statement Guidance Notes 2020



These guidance notes have been designed to complement your understanding of the Local Government Pension Scheme (LGPS) regulations whilst reading your Deferred Benefit Statement (DBS) 2020. They contain information about how the pension scheme works and will help you to understand what the figures and information on your statement mean to you. These statements cannot cover every personal circumstance and are not legally binding.

Please refer to these notes whilst reading your statement(s). You will receive one statement for each pension record you hold with us.

You will find a glossary of terms at the end of these notes. All words highlighted in grey within the guidance notes can be found in the glossary of terms with a full description of their meaning.

An important note for deferred members who left LGPS on or after 1st April 2014

When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older scheme members were introduced. Similar protections were provided in other public sector pension schemes. The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment'.

The Government is still considering exactly what changes need to be made to remove the discrimination from the LGPS. This means it has not been possible to reflect the impact of the judgment in your deferred benefit statement this year. If you qualify for protection it will apply automatically - you do not need to make a claim. For more information, see the frequently asked questions on the national LGPS website: https://www.lgpsmember.org/news/story/mccloud_qanda.php

Calculating Your Deferred Pension

ANNUAL PENSION

MEMBERS WHO LEFT BEFORE 1 APRIL 2014: your Final Salary benefits will have been based on your membership up to your date of leaving and your full time equivalent final pay. Your annual pension will have been calculated as:

- your membership to 31 March 2008 (if applicable) ÷ 80 x your final pensionable pay at date of leaving
- plus your membership from 1 April 2008 to 31 March 2014 (if applicable) ÷ 60 x your final pensionable pay at date of leaving

MEMBERS WHO LEFT ON OR AFTER 1 APRIL 2014: your Career Average Revalued Earnings (CARE) benefits for the period from 1 April 2014 to your date of leaving will be calculated as:

- Main section of CARE scheme = the CARE pensionable pay received during this period ÷ 49
- 50/50 section of the CARE scheme = the CARE pensionable pay received during this period ÷ 98

If you paid full contributions into the **main section**, you built up **full pension benefits**. If you moved to the **50/50 section**, you built up **half** the level of pension benefits while you were paying half the contributions you would have paid in the main section.

LUMP SUMS

MEMBERSHIP BEFORE 1 APRIL 2008: you will also receive an automatic tax-free lump sum of **3 times** your 80ths pension, plus the option to give up some of your pension to gain further tax-free cash at retirement.

MEMBERSHIP ON OR AFTER 1 APRIL 2008: you will **NOT** receive an automatic tax-free lump sum for this period of membership, but you will have the option to give up some of your pension to create a tax-free cash lump sum at retirement.

Pension Debts

If you have had your pension benefits reduced by a pension sharing order due to divorce, or you have used Scheme Pays to pay tax charges, these deductions have been taken into account in this statement. The value of your pension in section 3 of the statement are the values after the deductions have been made.

Additional Contributions

If you paid Additional Pension Contributions (APC) / Shared-Cost APC / Additional Regular Contributions (ARC) or if you purchased Added Years, the proportionate value of your contract has been included in section 3 of your pension statement.

If you paid into Additional Voluntary Contributions (AVC), you will receive a separate statement from the Clwyd Pensions Fund's in-house AVC provider.

Claiming Your Deferred Pension

MEMBERS WHO LEFT BEFORE 1 APRIL 2014: your Normal Retirement Age (NRA) will more than likely be age 65 (if you have an NRA earlier than age 65, this will be shown in section 2 of your statement). You can elect for the early payment of benefits voluntarily from age 55 (subject to reduction).

MEMBERS WHO LEFT ON OR AFTER 1 APRIL 2014: your Normal Retirement Age (NRA) will be linked to your **State Pension Age or age 65 (whichever is the later of these two options) and the date shown in section 2 of your statement may therefore change in the future if your State Pension Age changes.** You can receive the payment of your benefits from age 55, but an early retirement reduction may apply.

Your benefits must be paid before age 75.

If you feel you need to claim your deferred benefits on ill health grounds, please speak to your former employer as they must give permission for the pension to be released on ill health grounds.

Re-Joining the Local Government Pension Scheme (LGPS)

If you re-join or have already re-joined the LGPS in another Fund in England or Wales, you must:

- a)** notify the administering authority of the Fund in which you are an active member that you have deferred benefits in another LGPS Fund in England or Wales;
- b)** notify the Fund in which your deferred benefits are held that you are an active member in another LGPS Fund in England or Wales, and;
- c)** notify the administering authority of the Fund in which you are an active member of any service in any other public service pension scheme (even if a refund of contributions has been received in respect of that service).

Items **(a)** and **(b)** are required to ensure that you are given the correct options regarding the combining of your benefits.

If you do not comply with item **(c)** this could lead to certain legislation being applied to your circumstances e.g. a **final salary link** should you decide to combine any pre April 2014 LGPS membership with post April 2014.

Deferred Death Grant

MEMBERS WHO LEFT BEFORE 1 APRIL 2008: a death grant of **3 times** your deferred annual pension is payable in line with your **Expression of Wish**, should you die before your benefits come into payment.

MEMBERS WHO LEFT ON OR AFTER 1 APRIL 2008: a death grant of **5 times** your deferred annual pension is payable in line with your Expression of Wish, should you die before your benefits come into payment.

Any death grant that is paid has to take into account if you have any LGPS benefits elsewhere. If you have several LGPS pensions, then only the highest death grant across all of your LGPS pensions can be paid out.

NOTE that a lump sum death grant is NOT automatically payable to your next of kin. In order to make or change your Expression of Wish, you can update this by logging into your Member Self Service account.

Alternatively a Death Grant Expression of Wish form can be downloaded from <https://mss.clwydpensionfund.org.uk/home/active-members/publications-news-forms/index.html> or we can post a form to your home address.

This information is available in Braille, large print, BSL Video/DVD, audio tape and other languages upon request.

Deferred Survivor's Pension

Although you are not required to nominate anybody for survivor's and children's pensions, contact details for these individuals would always be useful, should we need to contact them in the future.

Please note that if your marital status is blank on your statement, this means you are classed as single on your pension record. If your marital status is incorrect, you should report this to the Clwyd Pension Fund by emailing 'pensions@flintshire.gov.uk' with the relevant copies of certificates (e.g. birth / marriage / decree absolute).

MEMBERS WHO LEFT BEFORE 1 APRIL 2008: A survivor's pension is payable to a spouse, registered civil partner and any eligible children.

MEMBERS WHO LEFT ON OR AFTER 1 APRIL 2008: A survivor's pension is payable to a spouse, registered civil partner and any eligible children. It may also be paid to an Eligible Co-habiting Partner, subject to certain qualifying conditions being met.

The amount of **Annual Survivor's Pension** shown on your statement has been based on: the final salary survivor benefits being calculated up to the 31 March 2014 or to your date of leaving if earlier, and the survivor benefits being calculated under the CARE scheme from 1 April 2014 to your date of leaving (if applicable).

If you married / entered a civil partnership **before** leaving the scheme, the pension paid to your spouse or registered civil partner will be based on **ALL** of your membership.

However, if you have an eligible co-habiting partner, only membership from 06/04/1988 will be included to calculate the survivor's pension (unless you have paid additional contributions for pre 06/04/1988 membership to count).

For those members who married or entered a civil partnership **after** leaving the scheme, only the following membership will be included to calculate the survivor's pension:

- Widow - membership from 06/04/1978
- Survivor of same sex marriage - membership from 06/04/1978
- Survivor of a Civil Partnership - membership from 06/04/1978
- Widower - membership from 06/04/1988

Glossary of Terms

Final Salary Scheme

Members who paid pension contributions into the Clwyd Pension Fund before 01/04/2014, will have some final salary pension benefits. To calculate a pension in a final salary pension scheme, we use

- the amount of membership you have built up in the pension scheme,
- your final (full time equivalent) pensionable pay at leaving, and
- a build up rate to calculate the value of your pension

Pension values in final salary schemes are not calculated based on the contributions paid by the member and employer

80ths Build Up Rate

A build up rate is used to calculate a pension value. 80ths are used to calculate pension for membership up to 31/03/2008

Annual Pension = Membership ÷ 80 x Final Pensionable Pay

Automatic Lump Sum = 80ths Annual Pension x 3

60ths Build Up Rate

A build up rate is used to calculate a pension value. 60ths are used to calculate pension for membership from 01/04/2008– 31/03/2014.

Annual Pension = Membership ÷ 60 x Final Pensionable Pay

Membership

Under current pension scheme regulations, your membership in LGPS only needs to be counted up to 31/03/2014. This is done by taking into account the hours you worked between your start date in the scheme and 31/03/2014.

A full time member takes 1 calendar year to build up 1 year's membership in the pension scheme. But a member working half-time hours takes 2 calendar years to build up 1 year's membership.

So part timers and term timers took longer to build up membership in the pension scheme depending on how many hours / weeks they worked per year.

If you had any breaks in service, this will have also affected how quickly you built up pension membership. A breakdown of your hours and breaks were provided to us by your employer when you left the scheme and this was used to calculate your membership in the final salary part of the pension scheme.

Final Pensionable Pay at date of leaving - applied to pre 01/04/2014 pension	<p>When you left the scheme, your employer informed the Clwyd Pension Fund of your final pensionable pay.</p> <p>A final pensionable pay is always a full time full year equivalent pay even if you have worked part time or term time.</p> <p>Your final pensionable pay can be seen in section 2 of your statement and we have used this to calculate the pension you have built up in the final salary scheme.</p> <p>(Overtime cannot be included in pensionable pay for the final salary pension scheme).</p>
Career Average Revalued Earnings (CARE) Scheme	<p>From 01/04/2014, LGPS became a CARE scheme. This means that every scheme year (1st April – 31st March), your employer gave us details of the gross actual pay you paid pension contributions on. We used each gross pay figure to calculate your CARE pension for each scheme year right up to your leave date from the scheme.</p>
Main Section 49th Build Up Rate 50/50 Section 98th Build Up Rate	<p>As there are 2 sections of the CARE scheme, they have different build up rates as seen below. We take your gross actual pay that you have paid pension contributions on between 1st April to 31st March and divide by the relevant build up rate to determine your accrued pension for that year.</p> <p>Main Section: gross pay ÷ 49 = CARE Annual Pension for that scheme year</p> <p>50/50 Section: gross pay ÷ 98 = CARE Annual Pension for that scheme year</p>
CARE Pensionable Pay – applied to post 01/04/2014 pension	<p>This is normally your gross actual pay plus any additional salary payments (including overtime) that you received from 01/04/2014 to your leave date and which you paid pension contributions on.</p> <p>If you worked part time or term time, it will be the actual pay you earned that was used to calculate your post April 2014 pension when you left.</p>
Final Salary Link	<p>If you have a deferred LGPS benefit and then re-join the scheme at a later date, there may be options to combine both pensions.</p> <p>If some or all of your previous pension is calculated on the final salary scheme, and you re-join LGPS in the CARE scheme, you may still be able to protect your final salary pension even if you combine both pensions together.</p> <p>This is dependent on whether more or less than 5 years has passed since you were a member of any public sector pension scheme.</p> <p>If the gap is more than 5 years, then combining the pensions would make all of the pension a part of the CARE scheme. (Your final salary pension would be converted into CARE scheme pension).</p> <p>If the gap is less than 5 years, you can combine the pensions and retain the final salary part of the pension. Any final salary part of your LGPS benefits will be based on the final pensionable pay you will be earning when you stop paying pension contributions into LGPS in the future.</p> <p>These final salary link rules are also the same if you transfer in a previous pension from another public sector pension scheme to LGPS.</p>
Annual Survivor's Pension	<p>If you are Married / in a Civil Partnership / Co-habiting with your Partner, a Survivor's Pension may be payable upon your death. This is not something extra that you have to pay for. The Annual Survivor's pension is based on it being a proportion of the pension you would have received as the pension scheme member.</p> <p>Whether you married / entered a civil partnership before or after you left LGPS determines what membership is used to calculate this pension. More details can be found in the Survivor's Pension section on page 3 of these notes.</p> <p>Any final salary scheme pension is based on:</p> <p>Membership ÷ 160 x Final Pensionable Pay</p> <p>Any CARE scheme pension is based on:</p> <p>CARE pension x 49 ÷ 160</p>
Expression of Wish	<p>A scheme member can inform us who they would like to receive any death grant payable from the Clwyd Pension Fund. This is not legally binding and is an expression of wish only. An Expression of Wish form must be completed by you or you can update your expression of wish on Member Self Service to make sure you have informed us of your wishes. The Clwyd Pension Fund, as the administering authority, has ultimate discretion who to pay the death grant to, but we do aim to honour the expression of wish made by the member.</p>