

ACTIVE COUNCILLOR ANNUAL BENEFIT STATEMENT GUIDANCE NOTES 2020



CAREER AVERAGE PAY

Your pension benefits are based on your Career Average Pay (CAP). This means that your pension benefits are calculated by using a re-valued average of your pensionable earnings during your membership of the scheme. The earnings, when being assessed for pension purposes, are revalued to make sure that your career average pay takes inflation into account.

EXAMPLE

An elected member has been a member of the LGPS for 5 years. He is retiring at age 65. His pensionable earnings and the revaluation factors are as follows:

YEAR 1 EARNINGS £9,400	X REVALUATION FACTOR 1.12	= £ 10,528
YEAR 2 EARNINGS £9,600	X REVALUATION FACTOR 1.08	= £ 10,368
YEAR 3 EARNINGS £9,900	X REVALUATION FACTOR 1.05	= £ 10,395
YEAR 4 EARNINGS £10,400	X REVALUATION FACTOR 1.02	= £ 10,608
YEAR 5 EARNINGS £11,000	X REVALUATION FACTOR 1.00	= £ 11,000
	ACCUMULATIVE TOTAL	= £ 52,899
	CAREER AVERAGE PAY (£ 52,899 ÷ 5 YEARS)	= £ 10,579

TOTAL MEMBERSHIP

Your pension benefits are calculated using the service during which you paid pension contributions in the pension scheme. For the purposes of this statement, your total membership is based on the amount of years and days from your start date in the scheme to 31/03/2020. This allows you to see the current value of your pension.

As you are still paying pension contributions, you will continue to build up membership beyond this date. When you do leave the scheme, your final membership will be based on the amount of years and days from your start date to your leave date.

VALUE OF LGPS AS AT 31/03/2020

When you retire, you will receive an 80th of your Career Average Pay for each of the years and days membership you have built up in the scheme. This section on your statement displays the value of your pension benefits as at 31/03/2020 and is calculated as follows:

ANNUAL PENSION

Career Average Pay / 80 x total membership

LUMP SUM

3 x annual pension

SURVIVOR'S PENSION

Career Average Pay / 160 x total membership

Normal Retirement Age from the Councillors scheme is age 65. Your pension benefits can be paid however, from age 55 provided that you are no longer in office as a Councillor. Your benefits will be reduced to reflect the early payment. If your Local Authority agrees, and under specific circumstances, you may be allowed to access your pension at the earliest from age 50.

If you retire from the Scheme after age 65, your pension benefits will be increased to reflect later payment. However, this pension must be in payment by your 75th birthday.

LIFETIME ALLOWANCE (LTA)

The Lifetime Allowance (LTA) was introduced in 2006, and restricts the amount of tax free savings that can be drawn when you leave the Scheme. The value of all your relevant pension benefits are assessed against the allowance, and if you exceed the limit you may have to pay a tax charge.

LTA applies to all UK pension schemes, not just the LGPS. The LTA limit for 2019/2020 (which is the date of your statement) was **£1,055,000** and this has been used to calculate how close you are to that limit.

The Clwyd Pension Fund uses the value of your annual pension as at 31/03/2020 in the following way:

- Annual pension x 20
- Plus any automatic lump sum

This gives the Clwyd Pension Fund the 'Capital Value' of your pension benefits. As long as your Capital Values across all of your pension providers are under the LTA limit, you will not have a tax charge applied to your pension benefits.

It is important to read your statement to check the LTA percentage that you have used with the Clwyd Pension Fund and to make sure you have not used more than 100% of this allowance across all of your pensions.

If you think you are affected by the LTA, further information is available on the Government's website:

<https://www.gov.uk/tax-on-your-private-pension/lifetime-allowance>

ANNUAL ALLOWANCE (AA)

The Annual Allowance (AA) is the maximum amount your pension savings can increase by within a tax year without you having to pay a tax charge. This limit is currently set at **£40,000** for 6th April 2019 to 5th April 2020. The limit was the same for the last tax year (6th April 2018 – 5th April 2019).

The Clwyd Pension Fund will notify you if you have exceeded the limit by sending you an official Pensions Saving Statement before 6th October 2020. If the statement confirms that you have exceeded the limit, you will need to complete a self-assessment tax return and you may need the assistance of a financial advisor to do this.

For those members who are close to exceeding the limit, we will send you an informal letter to confirm this.

If you think you are affected by the AA, further information is available on the Government's website:

<https://www.gov.uk/tax-on-your-private-pension/annualallowance>.

DEATH BENEFITS

- If you die in service, the lump sum death grant of **two times your Career Average Pay** is payable irrespective of your marital status.
- Please note that you are able to inform us of a beneficiary to receive this death grant by completing the Death Grant Expression of Wish form enclosed
- Please note that the Clwyd Pension Fund is NOT legally bound by this form, because in order for the tax advantages to apply, it must retain absolute discretion with regards to the allocation of your death grant payment.
- The advantage of making an Expression of Wish is that the death grant will be paid quickly, without having to wait possibly several weeks for your Estate to be settled. Another advantage is that the payment will not form part of your Estate, therefore avoiding any liability to Inheritance Tax.
- If there is more than one beneficiary please ensure that the percentage totals 100%. You cannot give us instructions that substitutes one beneficiary if the original beneficiary dies e.g. 100% paid to beneficiary A, but in the event of beneficiary A dying, 100% paid to beneficiary B

Please note that Flintshire County Council is the administration authority of the Clwyd Pension Fund and we use your personal data in accordance with Data Protection legislation to provide you with a pension administration service. For more information about how we use your data, who we share it with and what rights you have in relation to your data, please visit the Privacy Notice on our website.