



**Email:** [pensions@worcestershire.gov.uk](mailto:pensions@worcestershire.gov.uk)  
**Website:** [www.worcestershirepensionfund.org.uk](http://www.worcestershirepensionfund.org.uk)  
**Post:** Worcestershire Pension Fund,  
County Hall, Spetchley Road, Worcester  
WR5 2NP

## Your annual benefit statement 2020

Dear

I am pleased to enclose your 2020 annual benefit statement from the Local Government Pension Scheme (LGPS).

Your statement is an estimate of your LGPS benefits, based on pay and employment details held by Worcestershire Pension Fund on 31 March 2020. These details have been provided by your employer. The statement is based on the regulations in place on 31 March 2020 and your current normal pension age(s).

In addition to the notes, I would draw your attention to the wealth of information now on our website that includes information about increasing your benefits using AVCs and APCs.

**Linda Probin**

Pensions Administration Manager

### Section 1 | Your personal and employment information at 31 March 2020



Full name

Partnership status

National Insurance number

Employer

Reference

Date of birth

Email address

Date joined Fund

Section of LGPS

### Section 2 | Summary of your total benefits at 31 March 2020 at normal pension age(s) or as at 31 March 2020 if you were 65+ then



#### Standard benefit option\*

Annual pension

Tax free lump sum retirement grant  
For membership before 1 April 2008

or

#### Maximum lump sum option\*

Reduced annual pension

Increased tax free lump sum retirement grant

\*When you take your benefits you may be able to increase your lump sum by giving up some annual pension.

The notes for section 1 and section 2 are available on page 4 of your statement.

### Section 3 | How your pension is calculated



**Please note:** The benefits shown in this statement are based on the figures below, which have been supplied by your employer. It is important that you check these figures and contact your employer quickly if they are wrong.

Your final salary pensionable pay [▶](#)

Your CARE pensionable pay – main section [▶](#)

Your CARE pensionable pay – 50/50 section [▶](#)

### Section 4 | The summary of your standard total benefits on page 1 is made up of:



#### Your final salary pension scheme

**For membership to**

31 March 2008 of [▶](#) (years/days)

**Pension** [▶](#)

**For membership from**

1 April 2008 to 31 March 2014 of [▶](#) (years/days)

**Pension** [▶](#)

**Total final salary annual pension** [▶](#)

#### Your total CARE account

**Please note:** This includes your CARE pension build up from 1 April 2014, or the date you joined the scheme if later

**Opening balance** at 31 March 2019 [▶](#)

**Adjustment for cost of living** at 1 April 2019 [▶](#)

**In-year build-up** [▶](#)

**Total CARE closing balance at 31 March 2020** [▶](#)

**Tax-free lump sum retirement grant** based on membership to 31 March 2008 [▶](#)

### Your total CARE in-year build-up is made up of:

#### Scheme year April 2019 to March 2020

Your CARE pensionable pay – main section divided by 49 [▶](#)

**+** Your CARE pensionable pay – 50/50 section divided by 98 [▶](#)

**+** Additional pension bought [▶](#)

**+** Transfers in [▶](#)

### Section 5 | Value of death in service benefits at 31 March 2020



**Annual survivor's pension** [▶](#)

**Lump sum death grant** [▶](#)

**Who you want to receive the lump sum death grant**



The notes for section 3 are available on page 4 of your statement. Notes for section 4 can be found on page 5 and notes for section 5 on page 6.

## Section 6 | Estimated benefits if you stay in the scheme until your State Pension age, or as at 31 March 2020 if you were 65+ then



Your State Pension age



Estimated final salary pension built up



Estimated CARE pension built up



Total estimated annual pension



Total estimated tax-free lump sum retirement grant



Estimated final salary survivor's pension



Estimated CARE survivor's pension



Total estimated survivor's pension



## Section 7 | Tax and your pension



Tax limits apply to pension savings. These limits are called the lifetime allowance and the annual allowance. The standard lifetime allowance was £1.055 million for the 2019/2020 tax year. The standard lifetime allowance will be increased each year in line with inflation. The standard annual allowance for the 2019/2020 tax year was £40,000 (unless tapering applies - see below).

### Lifetime allowance

The percentage of your lifetime allowance used at 31 March 2020



### Annual allowance

Pension input amount in 2019/2020 (see below)



## 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 the value of your LGPS pension savings is known as the 'pension input' amount. The pension input amount shown above 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). 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 the 2019/2020 tax year was £40,000, except for some higher earners who 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 are likely to have carry forward from previous years.

If your pension input amount exceeds the annual allowance the Worcestershire Pension Fund will send you a letter about this in due course.

You can find more information about the annual allowance, including the tapered annual allowance for higher earners, on the Fund's website. If you are not sure about anything to do with your annual allowance, please contact the Fund.

The notes for section 6 are available on page 6 of your statement. Notes for section 7 can be found above and on page 7.

**Keep it safe:** Remember, this statement contains personal information





**We have provided these notes to explain your annual benefit statement (ABS) 2020. They cannot cover every circumstance and if there is a dispute, the appropriate legislation will apply. They do not give you any rights, under a contract or by law.**

## Section 1 | Your personal and employment information at 31 March 2020



### Full name

If you have changed your name, we will need a copy of your marriage certificate or change of name deed so that we can update your pension record.

### Partnership status

Your partnership status shown on our records is shown here. If it is not correct, please contact us.

### Employer at 31 March 2020

This is your employer at 31 March 2020. If you were paying into the scheme for more than one job at this date, you will receive an annual benefit statement for each job. If you left employment after 31 March 2020 you will receive a separate notice of your benefits built up to your date of leaving.

### Date joined Fund

This is the date you joined the Fund in this job.

### Section of LGPS (Local Government Pension Scheme)

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 2020 is shown here.

### Reference

This is the reference number for the pension account that this statement relates to. If you have more than one pension account you will receive more than one statement.

## Section 2 | Summary of your total benefits at 31 March 2020



This section shows your total benefits built up to 31 March 2020 and assumes that you will take your pension benefits at your normal pension age(s), which are the date you reach age 65 or your State Pension age. Your benefits shown will be reduced if they are paid before your normal pension age(s). This reduction is not included in this statement. Please visit our website for information about what reductions may apply. **Reductions relating to any pension sharing order are not included in this statement.**

### Annual pension

This is the total value of your pension at 31 March 2020, 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 unreduced at your normal pension age(s) (NPA).

### Tax-free lump sum retirement grant

This is the lump sum relating to your membership before 1 April 2008 and is paid when you take your pension benefits.

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. Under current HMRC rules, the lump sum retirement grant is tax-free.

### Reduced annual pension

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

### Increased tax-free 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.

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 due to be paid unreduced at normal pension age(s). These figures do not include any 'in-house' additional voluntary contribution (AVC) fund you may have. Scottish Widows or Utmost will issue a separate statement showing any in-house AVC fund value.

## Section 3 | How your pension is calculated



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

### 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 this section is your full-time equivalent pay for the year to 31 March 2020. 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 – main section**

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

If you paid into the main section of the scheme during the year to 31 March 2020, 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 or 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 or adoption leave, or paid shared parental leave and 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).

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 refer to the Guide to the LGPS on our 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 2020, the figure shown here 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.

## **Section 4 | How the summary of your standard total benefits on page 1 is made up**



This section shows separately your final salary benefits (if this applies) and your CARE pension as at 31 March 2020. Although the final salary and CARE pension parts are worked out differently and may have different NPAs, they form a single benefit, with both parts being linked and taken together.

### **Your final salary pension scheme**

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. Final salary benefits 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 is then 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**

- 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

### **Your total CARE account**

#### **Opening balance**

Your CARE pension balance as at 31 March 2019.

#### **Adjustment for cost of living**

This is the amount of the cost of living adjustment added to your pension account on 1 April 2019. 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-year build-up**

For membership from 1 April 2014, you will 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. This figure is the 'in-year build-up' for the year to 31 March 2020.

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

Any additional pension that you have bought during the scheme year under an additional pension contribution (APC) or shared-cost additional pension contribution (SCAPC) arrangement will be shown here. 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 2019, these are not shown in this section but will be included in the calculation of your total pension benefits.

## **Section 5 | Value of death in service benefits at 31 March 2020**



### **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. If we do not know your partnership status, we will assume your status is single.

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 contact 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. Please see the Fund's website for more details about the requirements that co-habiting partners need to meet to qualify for a survivor's benefit.

The survivor's pension shown in this section 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.

If you die after leaving the LGPS, a survivor's pension is still paid but could be a lower amount.

For more information about how survivors' pensions are worked out, please visit the Fund's website.

### **Lump sum death grant**

If you die while you are an active member of the LGPS, 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, are receiving an LGPS member pension (that is, 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 more.

### **Who you want to receive the lump sum death grant**

Please check who you have nominated to receive any death grant that may become due if you die. If this section is blank, we have no record of your nomination. If you would like to make a nomination, or change one we have on record for you, please fill in and return the 'Death Grant Nomination' form on the Fund's website. You can nominate whoever you like to receive your lump sum death grant (but this is not legally binding). The Fund decides who to pay the lump sum to.

## **Section 6 | Estimated pension benefits if you continue to pay into the scheme until your State Pension age**



The age shown is your current normal pension age (NPA) for your CARE pension, which is your State Pension age or age 65, whichever comes later. This

may change if your State Pension age changes in the future, before your benefits are paid. The normal pension age for benefits built up in the final salary scheme is 65.

You can take your benefits earlier than your normal pension age(s), from age 55 onwards, although the amount may be reduced if you do. The figures in this statement do not take account of any reductions that would be applied.

You can take your benefits later than your normal pension age but the benefits must be paid to you before you reach age 75. If you take your benefits after your normal pension age they will be increased. The increases are based on the rates in the current guidance issued by the Ministry of Housing, Communities & 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.

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 increases are included in this statement.

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 for service after 31 March 2020 is based on your CARE pensionable pay for the scheme year that ended on 31 March 2020. It assumes that your pay will stay at the 2019/2020 rate until your State Pension age 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 2020.

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.

For more information about how survivors' pensions are worked out, please visit the Fund's website.

## Section 7 | Tax and your pension



### Lifetime allowance (LTA)

The lifetime allowance (LTA) is set by HM Revenue & Customs (HMRC) and is the total value of all pension benefits you can have without having to pay a tax charge. If the value of your pension benefits when you draw them is more than the LTA then you will have to pay tax on the excess benefits.

Your benefit statement shows what percentage of the LTA is taken up by the value of the LGPS benefits shown in this statement.

If the percentage of standard LTA shown on your statement is more than 100%, you may have to pay a 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 your benefits in excess of the LTA are taken as a pension, the charge will be 25% of the excess benefits (as measured by HMRC), and income tax will also be taken from the ongoing payments. If the excess benefits are taken as a lump sum they will be taxed once, at 55%.

If you do have to pay a tax charge then the charge can either be taken from your lump sum or a permanent reduction can be made to your ongoing pension. The permanent reduction to the pension is known as a lifetime allowance debit.

Individual Protection 2016 (IP2016) is available if your pension benefits had a value of more than £1 million on 5 April 2016. You can find more information and an online application on the HMRC website. You can't 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 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 tax and your pension on the Fund's website.

# The McCloud age discrimination case regarding the transitional protections offered to some members in 2014

When the LGPS changed from a final pay 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.

Following the Court of Appeal ruling that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections in their pension schemes did 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'.

As the Government is still considering exactly what changes need to be made to remove the discrimination from the LGPS, it has not been possible to reflect the impact of the judgment in your annual benefit statement this year.

However, if you qualify for protection it will apply automatically - you do not need to make a claim.

For more information, see:  
[https://lgpsmember.org/news/story/mccloud\\_qanda.php](https://lgpsmember.org/news/story/mccloud_qanda.php)



## The Pension Fund is a Data Controller under the Data Protection Act 2018.

This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from the Fund, please visit our website.

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