

The Local Government Pensions Scheme

Explanatory Notes for Pensioners

These notes should be read in conjunction with your estimate / actual retirement benefit calculation.

Calculation of Benefits to 31 March 2014

Your pension scheme membership up to the 31 March 2014 provides final salary membership. If you joined the scheme after 01 April 2014 and transferred in previous final salary membership from another public section pension scheme you may still have final salary membership.

Your final salary pension and any automatic tax-free lump sum are calculated using your final pay and total period of final salary membership in the 80th and 60th part of the scheme.

Final Pay

This is the pay used to calculate any final salary pension benefits you may have. Your final pay is usually the pay in respect of the final year of scheme membership on which you paid contributions (excluding non-contractual overtime payments), or one of the previous 2 years if this is higher.

If your pay has been reduced in the last year due to sickness, the pay you would have received had you not been sick will be used as your final pay.

If you were in part-time employment the full-time equivalent pay will be used as your final pay.

Total period of Membership

This is the total period of membership you have built up in the different parts of the Local Government Pension Scheme (LGPS) and includes any transferred pension scheme membership from other schemes, additional service purchased (known as added years) and any additional service awarded due to ill health (if you are retiring on the grounds of ill health from active status).

Service			
Service at 1/80th		Service at 1/60th	
Scheme service	: 1 Yrs 95 Days	Scheme service	: 2 Yrs 122 Days
Additional contracts	: 0 Yrs 0 Days	Additional contracts	: 0 Yrs 0 Days
Augmented service	: 0 Yrs 0 Days	Augmented service	: 0 Yrs 0 Days
AVC service (Pension Only)	: 0 Yrs 0 Days		
Total 1/80ths service	: 1 Yrs 95 Days	Total 1/60ths service	: 2 Yrs 122 Days
CARE Service			
Main Scheme Service	7 Yrs 275 Days	50/50 Service	0 Yrs 0 Days
Total CARE Service	7 Yrs 275 Days		

Service at 1/80th - this is the membership you have accrued up to the 31 March 2014. If you were in part-time employment your membership will be calculated pro-rata. For example, if you were a member of the 80th scheme for 10 years and only worked 50% of full time hours you would be awarded 5 years pension scheme membership.

Service at 1/60th - this is the membership you have accrued between the 01 April 2008 and 31 March 2014. If you were part time during this period, your membership will be pro rata to reflect this.

CARE service - from the 01 April 2014 the LGPS moved to a CARE scheme. This period is counted at full calendar length regardless of your working hours.

Calculation of Benefits from 1 April 2014

Your pension is calculated on pensionable pay or assumed pensionable pay received during the scheme year and an accrual rate of 1/49th.

The scheme year runs from the 01 April to the 31 March and your employer provides us with your pensionable pay for the period.

Annual Pension

Your pension for your 80th membership is calculated at the rate of 1/80th of your final pay multiplied by your total period of 80th membership.

Your pension for your 60th membership is calculated at the rate of 1/60th of your final pay multiplied by your total 60th membership.

From 1 April 2014 the LGPS changed from a final pay scheme to an average earnings scheme (CARE). Your pension is calculated at the rate of 1/49th of your pensionable pay or assumed pensionable pay for each scheme year.

Annual Pension		
Total 1/80ths Membership 01/095 * 1/80th of £25000.00		£393.84
Total 1/60ths Membership 02/122 * 1/60th of £25000.00		£972.60
Less early retirement reduction on pre 01/04/2008 service (21.3152 %)	83.95	
Less reduction on service treated as post 31/03/2008 service (24.8850 %)	242.03	£325.98
		£1040.46
Plus Total CARE Pension		£2047.05
Less CARE early retirement reduction on pre 01/04/2015 service (21.3152 %)	0.00	
Less CARE reduction on service treated as post 31/03/2008 service (31.3782 %)	642.33	£642.33
Total Annual Pension Payable from 01/01/2022		£2445.18

Reduction for Early Retirement

If you are retiring before your normal pension age early retirement reductions will be applied to your pension benefits. The reductions are calculated differently for each period of membership.

The LGPS has a normal pension age of 65 for membership up to 31 March 2014. For membership after 31 March 2014 your normal pension age is linked to your state pension age.

If you retire prior to your normal pension age your benefits may, depending on your length of membership be subject to an actuarial reduction to allow for the early payment. The calculation sheet will clearly indicate any reduction to your benefits.

Retirement Grant (also known as a tax free lump sum)

If you have membership in the 80th part of the scheme you will receive an automatic tax-free lump sum. The lump sum is calculated at the rate of 3/80ths of your final pay multiplied by the period of membership up to 31 March 2008 – simply three times your 80th pension. **There is no automatic lump sum for membership from 01 April 2008.**

If you are retiring early reductions may be applied to your Retirement Grant

Retirement Grant		
Scheme 1/80ths Membership 01/095 * 3/80ths of £25000.00		£1181.51
Less early retirement reduction on pre 01/04/2008 service (10.7110 %)	126.55	
Less reduction on service treated as post 31/03/2008 service (12.8111 %)	0.00	£126.55
		<hr/>
		£1054.96
Net Retirement Grant Payable		<hr/>
		£1054.96
Total Retirement Grant		<hr/>
		£1054.96

Conversion Information Sheet

If you don't have an automatic lump sum or want to increase your automatic lump sum you can give up some of your pension for tax free cash subject to the 25% HMRC limit of the value of your crystallised benefits. The increased lump sum will be at the rate of an additional £12 lump sum for every £1 of annual pension given up. The Conversion Information Sheet provides you with the maximum amount of tax-free cash you can take.

Lifetime Allowance

In April 2006 the Lifetime Allowance (LTA) was introduced for everyone. This is the total amount of pension benefits you can have before you need to pay extra tax. When your pension benefits come into payment they are measured against the LTA. If you have more than one pension your benefits will be measured against the LTA each time one comes into payment. You will be notified of the (LTA) that you will have used at the time you take your pension benefits.

The Government has announced that there will no lifetime allowance tax charge from 6 April 2023. The lifetime allowance will be completely abolished from 6 April 2024. The current lifetime allowance framework remains in place and the lifetime allowance for 2023 to 2024 remains at £1,073,100.00. We are still required to continue operating lifetime allowance

checks when paying pension benefits. As a result of the changes the maximum amount most members can take as a pension commencement lump sum will be frozen at £268,275.00, which is 25% of the standard lifetime allowance of £1,073,100.00.

HMRC Lifetime Allowance (LTA)	
Standard Lifetime Allowance	£1073100.00
Value of Crystallised Benefits (this employment)	£49958.56
Percentage Used (this employment)	4.66 %
Total Value Used	£49958.56
Total Percentage Used	4.66 %
Total Value Unused	£1023141.44
Percentage Unused	95.34 %

Standard Lifetime Allowance: This is the current rate of LTA set by the Government

Value of Crystallised Benefits (this employment): Crystallised benefits are calculated by adding together 20 times the annual pension plus any retirement grant.

Percentage Used (this employment): this is the percentage the Standard LTA your Crystallised Benefits

Survivor Pension

Your surviving spouse, co-habiting partner (subject to certain criteria) or civil partner is entitled to a pension upon your death. Details of any spouse's entitlement will be shown on your retirement notification and will be based on your marital status at the time of your retirement. In the event of your death, we will check that your marital status has not changed since you retired. The pension is payable for life.

Death Grant

If you die prior to age 75 and were an active member of the scheme after 31 March 2014, a death grant is calculated by multiplying your annual pension by 10, less any pension paid to you since you retired, less any lump sum derived from commuted pension when you retired.

If you die prior to age 75 and were an active member of the scheme after 31 March 2008, a death grant is calculated by multiplying your annual pension by 10 less any pension paid.

If you die prior to age 75 and you ceased active membership of the scheme between 1 April 1998 and 31 March 2008, a death grant is calculated by multiplying your annual pension by 5 less any pension paid.

If you ceased active membership of the scheme prior to 1 April 1998, any death grant payable is calculated, at the time of death, under the LGPS 1997 Regulations.

Please ensure you have completed a Death Grant Expression of Wish form so we know who you would like any death grant payable to. If your circumstances change you may wish to review your nomination. A Death Grant Expression of Wish form is included in this pack and is also available from our website.

Payment of Benefits

Tax free lump sum

This will be paid by BACS into your specified account within 7-10 working days of your retirement date or the date the Pension Team received all the relevant information required to process your benefits if later. You will receive a remittance advice form confirming the payment.

Monthly Pension

Your first pension payment will be made on the next available pay run after your pension benefits have been processed. If your pension is processed after the payroll has closed your pension will be paid the following month with arrears. Pensions are paid on the 24th of each month direct into your specified account. If the 24th falls on a Saturday, Sunday, or Bank Holiday the pension will be paid on preceding weekday. The December pension will always be paid prior to the 24th December.

Payment to an overseas bank account

We can make pension payments to overseas bank accounts. A fee of £5.00 each month is deducted from your pension payment. Payments are made in local currency using the exchange rate on the date of payment. You will receive your pension payment shortly after the normal pay date. Please contact the Pension Team for further information and to request a mandate form for the required country.

Tax

The pension is regarded as earned income and consequently subject to tax. Whether or not you actually pay any tax on your pension will depend on your tax allowances issued by HMRC. Croydon Council's payroll will inform HMRC that you have retired who will then assess whether you should be issued with a new tax code. When HMRC have assessed your tax liability they will notify you and the Payroll Section of your tax code. In the meantime, tax will be deducted from your pension using tax code BR/X without taking account of any cumulative tax allowances. When your new tax code is received any over/under payment of tax deducted from your pension will be adjusted with your next pension payment.

Please note that Croydon Council is obliged to deduct tax in accordance with the coding received from HMRC. If you have any queries concerning how your code has been calculated you should contact your local Tax Office or the Inland Revenue direct at 'Pay As You Earn and Self-Assessment' HM Revenue and Customs, BX9 1AS. Telephone 0300 200 3300.

Please quote reference 120/AB69395 and your National Insurance Number in all correspondence.

Payslips

You will receive a payslip the first month you receive your pension. After that you will receive a payslip in March, April and May every year during the Pension Increase review or when your net pay differs by £20 or more from the previous month.

Pensions Increase

Pension increase is applied to your pension to offset the effects of inflation. Increases to your pensions will be determined by the Consumer Price Index (CPI).

Your first increase will be a proportion of the full increase if you have not been in receipt of your pension for a full year. You will receive a newsletter in April each year with full details of the increase.

Guaranteed Minimum Pension

As a member of the Local Government Pension Scheme, you were contracted-out of the State Earnings Related Pension Scheme (SERPS) and paid lower national insurance contributions. As a condition of contracting-out of SERPS the Local Government Pension Scheme must pay you a pension of at least the value of the pension you would have received from SERPS in respect of your contracted-out service from 6 April 1978 to 5 April 1997. This is known as the Guaranteed Minimum Pension (GMP).

At state retirement age HMRC will notify you and the Council of the amount of your GMP. When you reach state retirement age future pension increases are applied slightly differently. The GMP element of your pension in respect of contracted-out service to 5 April 1988 will be paid with your state pension. The pension increase on the GMP element in respect of contracted-out service from 6 April 1988 to 5 April 1997 is treated differently in that any increases up to 3% per annum will be paid with your Council pension whilst only increases in excess of 3% will be paid with your state pension.

Appeal Provisions

If you have any queries in relation to your LGPS benefits further information can be obtained from the pensions team at the address at the top right corner of this letter or you can email us at pensions@croydon.gov.uk. We will seek to clarify any queries as quickly as possible.

If you are still dissatisfied with any decision made in relation to the Scheme, you have the right to have your complaint independently reviewed under the Internal Dispute Resolution Procedure (IDRP) within six months of the notification of the decision about which you are complaining.

Further information about IDRP can be found at the following address:

<https://www.croydonpensionscheme.org/resources/internal-dispute-resolution-procedure-idrp-form/>

Please address your IDRP application to The Pensions Manager, Resources Department, Floor 3 Zone D, Bernard Weatherill House, 8 Mint Walk, Croydon CR0 1EA.

Declaration

Please remember that these notes are only a guide and cover 3 different sets of regulations, they cannot cover all individual circumstances. In the event of any dispute or disagreement the Regulations will be used to reach any decision.

If you would like to know more about your particular circumstances please contact the pensions section on pensions@croydon.gov.uk with full details of your enquiry.

A copy of these explanatory notes may also be found on our website:

<https://www.croydonpensionscheme.org/resources/>