

Annual benefit statement 2023 – guidance notes

These notes explain your Local Government Pension Scheme (LGPS) annual benefit statement 2023. They cannot cover every circumstance, and if there is a dispute, the appropriate law will apply. They do not give you any rights under a contract by law. Your statement does not take account of any deductions that would be due because you have decided to pay an annual allowance tax charge from your pension benefits or any pension sharing order that is in place.

It's important that you check the information listed in your statement. If anything's not right, please get in touch at pensions@warwickshire.gov.uk. Your employer gives us the pay used in this statement. If you think it is wrong, you need to contact them.

Your personal and employment information at 31 March 2023

Your 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 your pension fund (the fund) records is shown here. If it is not correct, please contact the Pensions Team.

Employer

This is your employer at 31 March 2023. 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 2023, you will receive a separate notice of your benefits built up to your date of leaving.

Date joined scheme

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

Scheme section

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 2023 is shown on your statement.

Final salary 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 your statement is your full-time equivalent pay for the year to 31 March 2023. 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 as zero. The definition of pay in the final salary scheme includes your normal pay, contractual shift allowance, bonus, contractual overtime (but not non-contractual overtime or additional hours),

maternity pay, paternity pay, adoption pay, and any other benefit that is taxed and is shown in your contract as being pensionable.

Your CARE pensionable pay in main section

From 1 April 2014, your CARE pension is calculated on your CARE pensionable pay during a scheme year (1 April to 31 March), which is provided by your employer.

If you paid into the main section of the scheme during the year to 31 March 2023, 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 what 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, adoption leave, paid shared parental leave or any paid additional maternity or adoption leave), the pensionable pay figure used to work out your pension is also 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). An APC calculator is available on the national LGPS website at www.lgpsmember.org

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 visit the fund's website at: www.warwickshirepensionfund.org.uk

Your CARE pensionable pay in 50/50 section

If you paid into the 50/50 section of the scheme during the year to 31 March 2023, the figure shown in your statement is the pensionable pay you received while paying into the 50/50 section.

The pay figure used 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.

Summary of your total benefits

This section shows separately the values of your final salary benefits (if this applies) and your CARE pension at 31 March 2023. Although the final salary and CARE pension parts are worked out differently, they form a single benefit, with both parts being linked and paid together. It assumes that you will take your pension benefits at your normal pension age (NPA), which is the date you reach age 65 or your State Pension age (whichever date comes later).

Your NPA is the date at which you can take the benefits you have built up in full, without any reductions. The benefits shown in this statement will be reduced if they are paid before your NPA. This reduction is not included in this statement. You can use the benefit projector calculator in 'My Pension Online' to work out what reduction will be applied if you take your benefits early.

To qualify for LGPS pension benefits, you have to pay into the LGPS for at least two years, or transfer pension benefits from another scheme into the LGPS. If you leave the scheme with less than two years' membership, you may not qualify for LGPS pension benefits and will usually be able to choose to have a refund of your contributions.

Annual pension

This is the total value of your pension at 31 March 2023, 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 NPA once your employment ends.

Your statement this year, unlike in previous years, will not show the late retirement increase that would be applied if you choose to take your benefits after your NPA. If applicable, this will be applied automatically upon payment of your benefits.

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. If you were not a member of the LGPS in this fund before 1 April 2008, this section will show as zero.

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.

Maximum lump sum retirement option grant as at 31 March 2023

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.

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 a 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 your normal pension age. These figures do not include any 'in-house' additional voluntary contribution (AVC) fund you may have. You will receive a separate statement showing your in-house AVC fund value.

Tax and pension benefits

Lifetime allowance

The lifetime allowance (LTA) is set by 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, you will have to pay tax on the benefits that are above the LTA. The standard LTA was £1,073,100 for the 2022/2023 tax year and it's expected to stay at this level until April 2026.

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 any 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. The LTA percentage shown on this statement is an estimate only. If you think you are close to going over the LTA or that you may have to pay a tax charge, you should contact the pension fund to check the LTA percentage. If you take your benefits above the LTA as a pension, the charge will be 25% of these excess benefits (as measured by HMRC), and income tax will also be taken from the ongoing payments. If you take the excess benefits as a lump sum they will be taxed once, at 55%.

If you do have to pay a tax charge, 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.

Annual allowance

The annual allowance is set by 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). From 6 April 2016, 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 most members during the 2022/23 tax year was £40,000, except for some members who may 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 may be able to use their carry forward allowance from previous years.

If your pension input amount is more than the annual allowance, the fund will send you a pension savings statement. You can also check your annual allowance on the 'annual allowance' screen on 'My Pension Online'. This screen takes into consideration your annual allowance used up across all your LGPS pensions in the Warwickshire Pension Fund.

Your annual benefit statement does not take account of any deductions that would be due because you have decided to pay an annual allowance tax charge from your pension benefits.

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.

Death-in-service benefits

The benefits shown in this section are worked out based on your pay information up to 31 March 2023.

Death in service lump sum

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, or 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.

Annual survivor's pension

A survivor's pension is paid if, when you die, you are married or 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 our records show you are single, no benefit will be shown. No survivor's pension (other than to an eligible child) will be paid if you are single and are not survived by an eligible cohabiting partner.

If you have declared a cohabiting partner, the survivor's benefit is worked out as follows.

- For membership up to 31 March 2014: 1/160th of your final salary, for each year of your membership up to 31 March 2014, not including any membership built up before 6 April 1988 unless you chose to pay additional contributions to make it count.
- For membership from 1 April 2014: 1/160th of the pensionable pay or assumed pensionable pay you received in each year, plus a proportion of any transfer of pension rights credited to your pension account, plus an enhancement equal to 1/160th of your assumed pensionable pay for each year of membership you would have built up from the date of your death to your NPA.

If your status on our records is married or in a civil partnership, the survivor's benefit is worked out as follows.

- For membership up to 31 March 2014: 1/160th of your final salary for each year of your membership up to 31 March 2014.
- For membership from 1 April 2014: 1/160th of the pensionable pay or assumed pensionable pay you received in each year, plus a proportion of any transfer of pension rights credited to your pension account, plus an enhancement equal to 1/160th of your assumed pensionable pay for each year of membership you would have built up from your date of death to your NPA.

Survivor's pensions may be paid to eligible children. However, the rates of these pensions are not shown on your annual benefit statement.

If you have not told the fund your partnership status, when you die any eligible survivor's pensions will still be paid if 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 cohabiting partners need to meet to qualify for a survivor's benefit.

The survivor's pension shown on your statement 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 into account any deductions relating to a pension sharing order or scheme pays debit.

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 survivor's pensions are worked out, please visit the fund's website.

Your 'expression of wish' details for any lump sum death grant

Please check who you have nominated to receive any death grant that may become due if you die by checking your nominations in 'My Pension Online'. 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, you can update this in 'My Pension Online'. You can nominate whoever you like to receive your lump sum death grant (but, as an 'expression of wish', this is not legally binding). The fund decides who to pay the lump sum to.

Your Career Average Revalued Earnings (CARE) benefits

This section shows separately the values of your final salary benefits (if this applies) and your CARE pension as at 31 March 2023. 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.

In-year build-up to 31/03/2023

For membership from 1 April 2014, you 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 is added to your pension account for that year. This figure is the 'in-year build-up' for the year to 31 March 2023.

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 in this section. Any CARE 'earned pension' credited because 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 2023, these are not shown in this section but will be included in the calculation of your total pension benefits.

If you have transferred in benefits or bought additional pension since 31 March 2023, this will be shown on your 2023 statement.

Your total CARE pension account

Previous year's closing balance

Your CARE pension balance from the previous year will be shown here.

Adjustment for the cost of living

This is the amount of the cost of living adjustment added to your pension account on 1 April 2023. 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.

Total

This is the total amount of CARE pension you have build up in your pension account as at 31 March 2023.

Your final salary pension benefits

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. If you have final salary benefits, they 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 adjusted to the contractual hours you worked (including the weeks worked over school terms). The membership used in the final salary calculation includes any pension rights transferred in from previous pension schemes.

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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 in this section. Any CARE 'earned pension' credited because 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 2023, these are not shown in this section but will be included in the calculation of your total pension benefits

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This is the total amount of CARE pension you have build up in your pension account as at 31 March 2023.

Your final salary pension benefits

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. If you have final salary benefits, they 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 adjusted to the contractual hours you worked (including the weeks worked over school terms). 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 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 (or the equivalent for members working part-time during this period).
- For membership to 31 March 2008: 1/80th of your final salary pensionable pay for each year you were a member of the scheme (or the equivalent for members working part-time during this period).

Lump sum retirement grant

- The lump sum retirement grant based on membership to 31 March 2008: 3/80ths of final salary pensionable pay for each year you were a member of the scheme (or the equivalent for members working part-time during this period).

Projection of your pension benefits until your normal pension age (NPA)

The age shown is your current NPA which is your State Pension age or age 65, whichever comes later. Your NPA may change if your State Pension age changes in the future, before your benefits are paid. Your current NPA only applies to benefits built up in the CARE scheme. The NPA for benefits built up in the final salary scheme is 65. However, final salary benefits and CARE benefits must be taken at the same time and you must have left the job in which you built up the pension benefits. You can take your benefits earlier than your NPA, from age 55 onwards, although the amount may be reduced if you do. The figures in this statement do not take account of any early retirement reductions that would be applied. You can use the benefit projector calculator in 'My Pension Online' to work out what reduction will be applied if you take your benefits early.

You can take your benefits later than your NPA, 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 and Local Government. The rates may go down or up when this guidance is reviewed. The rates in place at the date you retire will apply. Your statement this year, unlike in previous years, will not show the late retirement increase that would be applied if you choose to take your benefits after your NPA. If applicable, this will be applied automatically upon payment of your benefits.

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. Please note that, because your final salary pensionable pay when you leave the scheme may be different from the final salary pensionable pay used to work out the benefits in this statement, the actual pension benefits you receive could be higher or lower than the benefits shown in this statement.

The estimate of your benefits for service after 31 March 2014 is based on your CARE pensionable pay for the scheme year that ended 31 March 2023. It assumes that your pay will stay at the same rate as quoted in the statement until your NPA 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 you deciding to pay an annual allowance tax charge 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 2023 until your NPA.

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 in the same way. For more information about how survivor's pensions are worked out, please visit the fund's website.

Once you start to receive your LGPS pension, it is treated as a source of income for tax purposes.

Contact details for Warwickshire Pension Fund

Email: pensions@warwickshire.gov.uk

Website: www.warwickshirepensionfund.org.uk

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