

## Annual Benefit Statement 2016 - Explanatory Notes

These notes have been designed to be read with the 'Annual Benefit Statement 2016 - Active Members' for the Scheme Year 2015/16.

If you joined the Scheme before 1 April 2014, you will see both Final Salary and Career Average pension benefits on your statement. However, if you joined *after* 31 March 2014, you will only see Career Average figures and should disregard the notes which appear below in Section 1: Final Salary Pay and Section 4: Final Salary Benefits at 31/03/2016.

### Section 1: Personal Details

#### Employer at 31/03/2016

The employer details shown on this statement are those relevant to the post of the employment to which this statement applies and effective at 31 March 2016. If you have more than one employment, you will receive an Annual Benefit Statement for each separate post for which you are a member of the LGPS.

#### Final Salary Pay

This is the amount used to calculate your LGPS benefits built up before 1 April 2014 and excludes non-contractual earnings e.g. 'casual' overtime. **If you joined the Scheme after 31 March 2014, no Final Salary Pay is shown.**

If you work less than full-time hours, or have worked less than 365 days in the period 1 April 2015 to 31 March 2016, the amount has been adjusted to represent either your full-time equivalent earnings and/or a complete year.

Any reductions in pay during the Scheme Year due to sickness, injury, ordinary or paid maternity, paternity, adoption, paid shared parental or reserve forces leave, have been added back in to the pay figure.

**Please note: at your time of leaving/retirement, your employer will provide an accurate, up-to-date Final Salary Pay figure to calculate your benefits built up before 1 April 2014.**

#### Career Average Pay in year to 31/03/2016

This is **all** of the pay, **including** non-contractual earnings, you earned and on which you paid pension contributions in the Scheme Year ending 31 March 2016 (i.e. in the Main and/or 50/50 sections of the Scheme) and is the figure used to calculate your Career Average Pension as at 31 March 2016.

Consequently, part-timers and those members who have non-contractual earnings may notice a significant, but expected, difference between their Final Salary Pay and Career Average Pay figures.

Also, if you have had any unpaid leave, the Career Average Pay may be less. If you were on reduced contractual pay or no pay due to sickness or injury, or on ordinary or paid additional maternity, paternity or adoption leave, paid shared parental leave or on reserve forces leave, the figure will include Assumed Pensionable Pay (APP) for those periods (except child related leave where the pay was higher than the APP).

**As the Career Average Pay figure dictates the amount of pension 'banked' in your 'Pension Account', it is important you check it is accurate and contact your employer immediately if it is not.**

#### Section of Scheme at 31/03/2016

Since 1 April 2014, LGPS members have had an option to pay either full or half rate pension contributions, in the 'Main' and/or '50/50' sections respectively. This 'field' confirms which section you were paying into at the end of the Scheme Year 2015/16.

### Section 2: Summary of Total Benefits at 31/03/2016

#### Annual Pension

The figure displayed represents your **total** Annual pension, which, depending on when your membership commenced, may be comprised of up to four parts:

#### For membership before 1 April 2014 - Final Salary Scheme<sup>#</sup>

- Annual Pension based on 1/60<sup>th</sup> of your Scheme Membership built up from 1 April 2008 to 31 March 2014 multiplied by your Final Salary Pay.
- Annual Pension based on 1/80<sup>th</sup> of your Scheme Membership up to and including 31 March 2008 multiplied by your Final Salary Pay.

<sup>#</sup> Including any transfers-in, purchase of added years/ARCs, adjusted for part-time members at the relevant date of calculation. Male members with pre-1972 service may have an adjustment of membership.

...continued over

For membership **after 31 March 2014 - Career Average Scheme\***

- c) **Main** section Annual pension - based on 1/49<sup>th</sup> of your Career Average Pay for the period you were in the **Main** section of the LGPS during the Scheme Year (1 April 2015 to 31 March 2016).
- d) **50/50** section Annual pension - based on 1/98<sup>th</sup> of your Career Average Pay for the period you were in the **50/50** section of the LGPS during the Scheme Year (1 April 2015 to 31 March 2016).

\*Total Career Average Pension includes any pension bought with Additional Pension Contributions, adjustments due to changes in the Cost of Living and/or any pension rights transferred into the LGPS during the Scheme year.

---

### **Automatic Lump-sum**

This is a tax-free amount, paid at retirement, normally based on three times the Annual Pension built up before 1 April 2008. **If you first joined the Scheme after 31 March 2008 there is no Automatic lump sum.**

---

### **Minimum Annual Pension**

The figure represents the resulting pension payable if you choose to take the **Maximum Lump-sum** (see note below).

---

### **Maximum Lump-sum**

By giving up some of your pension, at retirement, you can take up to 25% of the total value of your pension benefits as a tax-free lump sum; however this must take into account any other tax-free cash you receive at the same time, e.g. from AVCs. The figure shown represents 25% of the total value of your pension benefits, excluding any AVC funds.

---

### **Annual Survivor's Pension**

It is assumed that **all** members have an eligible 'survivor' who, on the member's death, would be entitled to receive a Survivor's Pension for life.

If you are married or part of a registered civil partnership, your spouse/civil partner will automatically receive a Survivor's Pension based on 1/160<sup>th</sup> of your Final Salary Pay for your membership accrued prior to 1 April 2014 and 1/160<sup>th</sup> of your Career Average Pay for each year of your Scheme membership **plus** the membership you would have had, had you lived until your Normal Pension Age.

The Survivor's Pension paid to an eligible cohabiting partner, is based on 1/160<sup>th</sup> of your Final Salary Pay for membership from 6 April 1988 to 31 March 2014 and 1/160<sup>th</sup> of your Career Average Pay for each year of your Scheme membership from 1 April 2014 **plus** the membership you would have had, had you lived until your Normal Pension Age.

Members with a cohabiting partner to whom they wish a Survivor's Pension be paid on their death, should complete and return form LGP25a to the Fund. This will assist in assessing their eligibility to receive a Survivor's Pension. If a member is 'single' when they die, whilst **no** Annual Survivor's Pension would be payable, there may still be benefits payable to eligible children.

---

### **Death Grant**

The figure displayed represents the amount which would have been payable assuming you had died on 31 March 2016 and is normally three times your Career Average Pay. If you have other LGPS membership(s), the actual amount payable, should you die in service, would be determined after considering your other LGPS memberships. Whilst the Fund has absolute discretion in deciding to whom the Death Grant is paid, if you have submitted a completed 'Expression of Wish' form (LGP25) this will be taken into account.

Copies of forms LGP25 and LGP25a are available for completion from your employer's Pension Liaison Officer, the Fund or as a download from: [mpfund.uk/forms1](http://mpfund.uk/forms1)

## **Section 3: Career Average Pension Benefits at 31/03/2016**

### **Career Average Pay and pension build-up in the Main Section & 50/50 Section**

Since 1 April 2014, LGPS members have had an option to pay either full or half rate pension contributions for a build-up of pension benefits in the Main and/or 50/50 sections of the Scheme respectively. (To see how Career Average pensions are calculated, see "For membership **after 31 March 2014 - Career Average Scheme**" in the Section 2 note, above).

Consequently this statement displays, as appropriate, the Career Average Pay used in the calculation and the pension built up during the Scheme year (1 April 2015 - 31 March 2016) in either/both of the Main and/or 50/50 sections.

If you were in the Main Section throughout the Scheme Year, the Career Average Pay figure and the pension build up under '50/50 Section' would be blank. Alternatively, if you were in the 50/50 Section throughout the whole year, the Career Average Pay figure and the pension build up under 'Main Section' would be blank.

If you joined the 50/50 section, or elected to re-join the Main Section of the Scheme, during the Scheme Year, then you will have Career Average Pay and pension build up figures displayed under **both** the Main and 50/50 sections.

...continued over

## Additional Pension Bought

If a figure is shown under 'Additional Pension Bought', it relates to additional pension bought in the Scheme Year under an Additional Pension Contributions (APC) or Shared Cost Additional Pension Contributions (SCAPC) contract you have taken out to buy additional pension.

## Transfers in

If a figure is shown under 'Transfers in', it relates to additional pension bought by a transfer received from another pension scheme during the Scheme Year that was added to your 'Pension Account'.

## Opening Balance

This is amount of pension built up in the Career Average Scheme prior to the beginning of the Scheme year 1 April 2015 - 31 March 2016. This figure will be shown as £0.00 if you first joined the Scheme after 1 April 2015.

## Cost of living adjustment

Each year your Pension Account is revalued to take account of the cost of living. This adjustment is carried out in line with HM Treasury's Revaluation Order index. The figure displayed represents the adjustment made to the Career Average pension built up with Merseyside Pension Fund prior to 1 April 2015.

## In year build up

The figure displayed represents the amount of Career Average Pension built up during the 2015/16 Scheme Year.

## Section 4: Final Salary Benefits at 31/03/2016 - only applicable if you joined the Scheme before 1 April 2014

Final Salary Pay	(see Section 1 notes above)
Annual Pension	(see Section 2 notes above)
Automatic Lump-sum	(see Section 2 notes above)

## Projections assuming you continue contributing to the Scheme until the date of your Normal Pension Age

### Normal Pension Age (NPA)

This is the age when your pension benefits can be drawn voluntarily without being reduced for early payment. The date shown is your current Normal Pension Age which is now linked to your State Pension Age (SPA). Therefore this date may change if your SPA changes. However, it is possible to take your benefits from as early as age 55 with a reduction applied for early payment. If you take your benefits **after** NPA, an increase would be applied to your benefits to take into account late payment.

The link between NPA and SPA only applies to those benefits built up under the 2014 Scheme. Any benefits built up before 1 April 2014 remain linked to the NPA of the Final Salary Scheme i.e. age 65. However any 85 year rule protections you may have will be used to determine any appropriate actuarial reductions should you draw your benefits before age 65.

### Your Scheme Benefits Projected to Normal Pension Age

The projection to Normal Pension Age (NPA) of your Career Average pension benefits is based on your Career Average Pay in the Scheme Year up to 31 March 2016. The projection assumes that your pay will remain constant to your NPA and does not assume any pay inflation or inflation under HM Treasury Revaluation Orders for future benefit accrual under the Career Average Scheme (i.e. the projection to your NPA is shown in **today's** money terms).

The amount includes the full amount of any APCs / SCAPCs/Added Years/ARCs being purchased. The projection is also based on the section of the Scheme you are a member of as at 31 March of the current Scheme Year i.e. the Main or the 50/50 section.

The projection to NPA of your Final Salary pension benefits is based on the Final Salary Pay figure at 31 March 2016. It does not assume any pay inflation (i.e. the projection to your NPA is shown in **today's** money terms).

## Other Information

### Annual Allowance (*Not displayed on statement*)

The Fund will write separately to members where we are aware that their LGPS benefits have increased in value by more than £40,000 in relation to the tax year 2015/16, as they may be liable to a tax charge on the excess. However the Annual Allowance applies to **any** pension growth, not just those in the LGPS. So, if you have other non-LGPS pension benefits, which, when added to your LGPS benefits, would exceed the allowance, it is **your** responsibility to report any excess to HMRC using self-assessment. You can find more information about self-assessment at: [hmrc.gov.uk/sa](http://hmrc.gov.uk/sa)

For more information regarding the **Annual Allowance**, please visit the page on our website at: [mpfund.uk/aa](http://mpfund.uk/aa)