

Local Government Pension Scheme (LGPS) Annual Benefit Statement 2024 Notes of Guidance

Introduction

These notes have been designed to accompany your Local Government Pension Scheme (LGPS) Annual Benefit Statement 2024. They have been prepared in accordance with the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and the relevant Scheme regulations. These notes cannot cover every personal circumstance and in the event of any dispute over your statement, the appropriate legislation will prevail. They do not confer any contractual or statutory rights and are provided for information purposes only.

Personal, Employment & Pensionable Pay Details

Please check that the details shown are correct.

Date Joined LGPS in this Employment: this is the date that you became a member of the LGPS in the Royal Borough of Greenwich Pension Fund.

Section of the LGPS at 31 March 2024: There are two Sections to the LGPS 2014. The section you were in on 31 March 2024 is shown here. Most members contribute to the Main section and build full benefits, but you have the option to reduce your contribution rate to 50% to then build up half the level of CARE pension during this period. However, full ill health and death cover is maintained whilst contributing to the 50/50 section.

If you elected to contribute to the 50/50 section of the scheme your CARE pension will have been calculated as 1/98th of your CARE pensionable pay for this period (as opposed to the higher 1/49th of your CARE pensionable pay if in the Main section). If you were in the 50/50 section on 31 March 2024, the projection to your Normal Pension Age (NPA), as shown under Section 3, has been calculated at 1/98th. Your Employer will re-enrol you into the Main section of the scheme on their re-enrolment date, providing you have not re-joined the Main section in the meantime. Your Employer's re-enrolment date is the third anniversary of their staging date under Automatic Enrolment.

CARE Pensionable Pay for year ended 31 March 2024:

Please note that it is important that you check your CARE Pensionable Pay is correct. If you believe your CARE Pensionable Pay to be incorrect, please contact your employer or, if you are paid through the Royal Borough of Greenwich payroll, you can query it with the pension section. You will lose your right to appeal should you not identify any inaccuracies within 6 years.

Your Career Average Revalued Earnings (CARE) benefits are based on the actual pensionable pay that you have received during the Scheme Year (from 1 April to 31 March),

referred to as your CARE Pensionable Pay. Under the 2014 Scheme definition of pay, all overtime and additional hours are included in your CARE Pensionable Pay.

If you have received reduced or nil pay during the scheme year, due to sickness / injury, child-related leave or reserve forces service leave, your pay will have been based on your Assumed Pensionable Pay (APP), which is an average of the pensionable pay received during the 3 complete months (or 12 week period if weekly paid) before you entered the reduced / nil pay period.

Section 1: Total Value of LGPS Benefits as at 31 March 2024

If you became a member of the LGPS on or before 31 March 2014, the total value of your benefits as at 31 March 2024 will be made up of your Final Salary benefits (for membership to 31 March 2014) and your CARE benefits (for membership from 1 April 2014).

Your Standard Benefit Option consists of the total combined value of your annual pension, and any automatic tax-free lump sum entitlement you may have in respect of your membership to 31 March 2008.

When you retire, you will have the option to convert some of your annual pension to gain tax-free cash, which is in addition to any automatic lump sum entitlement you may have. For every £1 of pension you give up, you will receive £12 of tax-free cash in return, subject to a Capital Value limit set by Her Majesty's Revenue & Customs (HMRC). If the tax-free cash figure quoted is above £268,275.00 you may need to pay tax on the excess, dependent on whether you have any Lifetime allowance protections in place. Further details will be provided nearer the time you choose to retire or take payment of any deferred benefits.

Please note that the maximum lump sum shown does not include your in-house AVC fund (if applicable).

A statement showing your AVC fund value as at 31 March 2024 is issued separately.

CARE Benefits as at 31 March 2024

The CARE pension credited to your pension account for the Scheme Year from 1 April 2023 to 31 March 2024 has been based on your CARE pensionable pay and the appropriate rate of pension build up, calculated as follows:

Main Section: 1/49th x CARE pensionable pay received whilst contributing to the Main Section of the Scheme during the period from 01/04/2023 to 31/03/2024.

50/50 Section: 1/98th x CARE pensionable pay received whilst contributing to the 50/50 Section of the Scheme during the period from 01/04/2023 to 31/03/2024.

Additional Pension Purchased: Any additional pension that you may have purchased during the Scheme Year under an Additional Pension Contribution (APC) or Shared-Cost APC arrangement has been included in your total CARE Pension as at 31 March 2024.

Transfers In: Any additional pension purchased from a transfer of previous pension rights into the LGPS has been included in your total CARE Pension as at 31 March 2024.

The Total Value of CARE Pension Account is your closing balance at 31 March 2023 with a cost of living adjustment plus the pension build up for 2023/2024.

The Total CARE Pension is revalued every April in line with HM Treasury Revaluation Orders, so that its value keeps in line with the changes in the cost of living.

Final Salary Benefits as at 31 March 2024

Your Final Salary benefits as at 31 March 2024 are calculated as follows:

Annual Pension: $1/80\text{th} \times \text{membership to } 31/03/2008 \times \text{Final Salary pay}$; PLUS

$1/60\text{th} \times \text{membership from } 01/04/2008 \text{ to } 31/03/2014 \times \text{Final Salary pay}$.

Automatic Lump Sum: $3/80\text{th} \times \text{membership to } 31/03/2008 \times \text{Final Salary pay}$.

NO automatic lump sum is payable for membership on and after 1 April 2008.

If you joined the LGPS on or after 1 April 2014, the Final Salary Benefits on your statement are zero.

This section shows your projected Standard Benefit Option. If you became a member on or before 31 March 2014, previous annual benefit statements may have included an increase to your benefits to reflect the difference between your old 2008 Scheme NPA and your current 2014 Scheme NPA (if different).

Final Salary Pay: Your full-time equivalent pay as at 31 March 2024 under the 2008 Scheme definition of pay (excluding non-contractual overtime and ignoring any reduction in pay due to sickness / injury, child-related leave or reserve forces service leave). The figure provided by your employer is usually your rate of pay as at 31 March 2024 and may not take into account any periods during the year when your rate of pay differed.

Membership as at 31 March 2014: Your Final Salary benefits are based on your membership to 31 March 2014 (inclusive of any membership awarded from a transfer of previous pension rights into the LGPS and any 'added years' of membership purchased).

Your membership as at 31 March 2014 is measured in Years and Days and is only applicable to the calculation of your Final Salary benefits.

The figure shown has been calculated in accordance with your working hours to this date, and if you worked part time, your membership has been proportioned according to your part time working hours. If casual, your membership will have been calculated either as an average with reference to the total number of hours worked during each year to 31 March 2014 or as variable time at the actual calendar length. Any break in your membership to 31 March 2014 will not count towards the calculation of your Final Salary benefits. If contributing to an Additional Regular Contribution (ARC) contract, the proportionate amount of additional pension purchased as at 31 March 2024 has been added to the annual pension shown.

Section 2: Projection of LGPS Benefits to your Normal Pension Age

Your Normal Pension Age (NPA) shown under this section is linked to your State Pension Age (SPA) and may therefore change in the future. However currently, you can retire voluntarily from age 55 choosing to receive payment of reduced pension benefits. This will change to age 57 in 2028. Taking payment of your pension at any time before NPA will result in reductions being applied to the pension and the figures in the statement do not take account of these early retirement reductions. You can remain in the scheme until the day before your 75th birthday, but your benefits must be paid before age 75. If you were over your NPA as at 31 March 2024, the late retirement increase has not been included in your statement.

The projection to your NPA has been based on your CARE Pensionable Pay and Final Salary Pay as at 31 March 2024 (if applicable) and does NOT provide for any future changes in your pensionable pay. It has been assumed that you will continue to contribute to the same section of the LGPS until your NPA and that your CARE Pensionable Pay / Final Salary Pay will remain constant.

When you leave, your pre 2014 Final Salary benefits will be based on your full-time equivalent pay at that time; an exception to this is if you are treated as variable time when your actual pay will be used. Your Final Pay is calculated under the 2008 Scheme definition of pay, which does not include non-contractual overtime or additional hours.

This section shows your projected Standard Benefit Option. Previous statements may have included an increase to your benefits to reflect the difference between your old 2008 Scheme NPA and your current 2014 Scheme NPA (if different). We no longer include this increase on the statement because the factors provided by the Government Actuary's Department (GAD) may change in the future and are not guaranteed. If applicable the increase will be applied when you retire or take payment of deferred benefits.

If contributing towards an APC / SCAPC or 'added years' / ARC arrangement, the full value of your contract has been included in your projection.

For the Annual Survivor Pension, it has been assumed that you are married if your partnership status is not held on your pension record. If single, an annual survivor pension will not become payable in the event of your death.

Your annual survivor pension has been based on the Final Salary survivor benefits accrued to 31 March 2014 (if applicable) and the survivor benefits due under the CARE scheme from 1 April 2014, assuming that you remain to be an active member until your NPA.

Please see section 3 for further information on the calculation of survivor pensions.

No assumption has been made for inflation under HM Treasury Revaluation Orders for future build up in respect of your CARE benefits.

Section 3: Value of Death in Service Benefits as at 31 March 2024

Lump Sum Death Grant: In the event of your death as an active member, a tax-free lump sum death grant of three times your Assumed Pensionable Pay (APP) (an average of the pensionable pay received during the 3 complete months or 12 week period if weekly paid, before your date of death) may become payable to your proposed beneficiaries, as previously nominated on your Death Grant Expression of Wish form and shown on your statement.

If you wish to make or change your Expression of Wish, please contact the pension section or download a form from the downloads section of the Royal Borough of Greenwich website: www.royalgreenwich.gov.uk/pensions

If you have NOT made an Expression of Wish, the lump sum death grant may be delayed. Please note that the administering authority holds absolute discretion as to whom this payment is to be made.

If you also have a deferred pension, suspended Tier 3 ill health pension or a pension in payment from an earlier period of LGPS membership in England or Wales, the lump sum death grant payable if you were to die as an active member is the greater of that in respect of your active period of membership (as shown) or the lump sum death grant due from any of your earlier benefits. If your active lump sum death grant is greater, no lump sum death grant will be payable in respect of the earlier benefits. However, if the lump sum death grant from one of the earlier benefits is greater, no lump sum death grant will be paid in respect of your current period of membership.

Please note, a lump sum death grant is not automatically payable to your next of kin. The Lump Sum Death Grant and Annual Survivor Pension are two separate benefits.

Annual Survivor Pension: In addition to the payment of a lump sum death grant, an Annual Survivor Pension is payable automatically to your spouse / registered civil partner or, subject to certain qualifying conditions, to your eligible co-habiting partner, which is then payable for their lifetime. Co-habiting means that you are NOT married or in a registered civil partnership. Previously you were required to nominate a co-habiting partner to receive a survivor's pension, but this is no longer necessary.

In order for an annual survivor pension to become payable to your eligible co-habiting partner ALL of the following conditions must have applied for a continuous period of at least 2 years before your death:

- Both free to marry or enter into a civil partnership with each other.
- You must have been living together as if you were husband and wife or civil partners.
- Neither of you have been living with someone else as if you / they were husband and wife or civil partner.
- You are financially dependent or interdependent on each other.

A survivor's pension may also become payable to an eligible child, providing they are your child or an adopted child, a stepchild or a child accepted as a member of the family. A child's pension will be paid until at least age 18, or thereafter if in full-time continuous education or undertaking an approved training course for at least 2 years, until a maximum age 23. Special consideration is given if the child since before age 18, is physically or mentally disabled; if so, a child's pension is payable for as long as the disability continues.

The annual survivor pension has been based on the Final Salary survivor benefits accrued to 31 March 2014 (if applicable), inclusive of any 'added years' of membership being purchased or from any Additional Regular Contributions (ARC) being made that include a survivor's benefit, and the survivor benefits due under the CARE scheme from 1 April 2014 (assuming that you remain an active member until your NPA and that your CARE pensionable pay remains constant until then).

The Annual Survivor Pension will also include the CARE enhancement:

- $APP \times 1/160th \times \text{membership from 1 April 2014 to your NPA.}$

The survivor benefits payable to your surviving spouse or civil partner is based on your entire period of scheme membership; however, the survivor benefits payable to:

- an eligible co-habiting partner will NOT include any pre 6 April 1988 membership (unless you have elected prior to 1 April 2014 to pay for some or all of that membership to count);

- a widow of a post leaving marriage will NOT include any pre 6 April 1978 membership;
- a widower of a post leaving marriage, a survivor of a same sex post leaving marriage or a civil partner of a post leaving civil partnership will NOT include any pre 6 April 1988 membership.
- survivor benefits payable to a same sex spouse, or a civil partner are equal those paid to the widow of a male member.

Forthcoming and in progress Changes to the Scheme

The McCloud Remedy

When public service pension schemes changed from final salary schemes to career average schemes in 2014 and 2015, older members were protected from the changes.

In 2018, the Courts found that younger members had been discriminated against because the protection did not apply to them. Changes made to the LGPS from 1 October 2023 removes the discrimination found in the court case. These changes are called the McCloud remedy.

Not all LGPS members are affected by the changes. You can find more information on the national LGPS website, including a short video. Please visit: www.lgpsmember.org/mccloud-remedy/.

If you are affected, you do not need to write into the pension fund or make any decisions. If you are contacted by a third party organisation selling a service to help you claim additional pension, you should not engage with them.

As a member of the LGPS, you do not need to take any action to claim your protection under the McCloud remedy. If you qualify, the pension fund will automatically apply the protection when you take your LGPS pension.

Tax Controls on Pension Savings

Removal and replacement of the Lifetime Allowance charge (LTA)

The LTA has historically been the maximum value of retirement benefits an individual can build up over their lifetime without paying a tax charge.

Before the 6 April 2023 members with lifetime pension savings valued at more than the LTA limit of £1,073,100 would be liable for a tax charge. From 6 April 2023 that charge has been removed meaning that there is no level of lifetime pension savings that will trigger a tax charge.

From 6 April 2024, the LTA was abolished. There is no longer a specific limit on how much pension savings an individual can build up in their lifetime. Annual pension is taxed at your marginal rate and two new lump sum allowances were introduced. The new allowances are only

used up by the payment of relevant tax-free lump sums, not pensions. This is a change from the previous practice under the LTA, where both pensions and lump sums were assessed.

To replace the LTA, two new lump sum allowances are introduced: lump sum allowance (LSA) and lump sum and death benefit allowance (LSDBA), these lump allowances continue to restrict the payment of tax-free cash in your lifetime. Any lump sums paid in excess of the LSA and LSDBA are taxed at the individual's marginal rate (instead of at 55 per cent which applied under the LTA regime).

You can find more information about the lump sum allowances at www.lgpsmember.org/your-pension/the-essentials/tax

Maximum tax-free lump sum of £268,275 for most members

For members who had benefits valued in excess of the old LTA the maximum tax-free lump sum amount was 25% of the LTA.

From 6 April this limit has been retained meaning that for most people with benefits valued at more than £1,073,100, the maximum tax-free lump sum is £268,275 (see the sections entitled Protections and Lifetime Allowance excess lump sums for exceptions to this rule).

The maximum tax-free lump sum is cumulative. This means that if you have already taken a tax-free lump sum from a previous pension arrangement and then return to work and build up more pension benefits, the maximum tax-free lump sum you can take second time round is reduced to take account of the tax-free lump sum you've already taken.

Protections

Over the years the LTA has been reduced. Each time it was reduced, protections were put in place for those members who had saved up to the old limit so that they didn't face a retrospective tax charge.

To some extent those protections are no longer necessary since the LTA charge has been removed. However, the protections do also have the effect of allowing members to take a larger tax-free lump sum.

Members who have valid Enhanced Protection, Fixed Protection 2014 or Fixed Protection 2016 which they applied for before 15 March 2023, will retain the ability to take a larger tax-free lump sum. They will also be able to accrue new pension benefits, join new arrangements or transfer benefits without losing this protection.

Members who make a successful late application for any of these protection on or after 15 March 2023, will be able to take a larger tax-free lump sum but will face restrictions on how much more pension they can build up.

Lifetime Allowance excess lump sums

For most LGPS members the absolute maximum lump sum they can take from the Scheme will be the tax-free limit of £268,275 (or more if the member has LTA protection).

However, there are certain circumstances when it is possible to take a lump sum greater than the maximum tax-free amount. This can happen when at the point of retirement, a member has already exceeded the LTA and is drawing a lump sum. Any lump sum above the tax-free maximum is called a Lifetime Allowance Excess Lump Sum (LTAELS)

Before 6 April 2023 LTAELS was taxed at 55% of its value. From this date any LTAELS will be taxed as if it is pension income. This effectively means it is taxed at the member's marginal income tax rate.

Annual Allowance (AA)

The Annual Allowance is the maximum amount of pension growth that a member of a pension scheme can build up over the course of a tax year (but see section on tapered annual allowance).

The Annual Allowance for the tax year 2022/2023 was £40,000 but for 2023/2024 increased to £60,000.

If an individual exceeds the AA in any given year, they can make use of any unused annual allowance in any of the three previous years to offset the excess growth in the current year. Where a member exceeds the AA and does not have sufficient unused allowance in previous years to completely remove the excess, then the pension growth over £60,000 will be taxed as income at the member's marginal rate.

With the measure in pension growth increasing to £60,000 in 2023/2024 it is expected many fewer members will be affected.

The tapered annual allowance

Although £60,000 is the standard AA some individuals on higher salaries may have their pension growth measured against a lower value called the tapered Annual Allowance. The tapered AA reduces the standard AA on a sliding scale depending on how much a person's salary exceeds certain thresholds.

From 6 April 2023 the tapered AA will apply to those with a threshold income of £260,000 or more (previously £240,000).

The definition of threshold income is, in simple terms, gross income less pension contributions. That would mean an LGPS member would have to be on a salary of over £297,000 to be affected.

Further information can be obtained from the pension section and at <https://www.gov.uk/tax-on-your-private-pension> or <https://www.lgpsmember.org/about.php>.

The GDPR and the Data Protection Act 2018.

The GDPR and the Data Protection Act 2018 came into force in May 2018. As the Administering Authority of the Fund we hold certain information about you ("personal data") which we need to administer the Fund.

Further information can be found in the Full Privacy Notice at the following link:

www.royalgreenwich.gov.uk/pensionprivacynotice

Data Protection Officer

You may also contact our data protection officer DPO@royalgreenwich.gov.uk for further information.

Frequently Asked Questions:

Where can I find more information about the LGPS?

Information about the scheme and various calculators can be found on the national members website at:

<https://www.lgpsmember.org>

Can I view my record online?

Member Self-Service is an online portal which allows you to access your pension details online. Once registered you will be able to: -

- View & check personal information and scheme details
- Follow links to key pension websites including the national LGPS members website for information on the scheme and access to various calculators
- View and download documents
- Run benefit quotations
- Update your contact information
- Upload forms
- Contact the pension scheme directly

To sign up for an account go to <https://mypension.royalgreenwich.gov.uk>. Click on 'Thinking of registering' and then go to the box headed "create and account" and click sign up. You will then need to provide your surname, National Insurance number, date of birth and email address.

Please note that internet explorer is not supported and you will therefore need to use a browser such as Microsoft Edge or Google Chrome.

For your assistance a guide to the service is available on the portal as well as online help pages on individual screens.

When do I qualify for scheme benefits?

If you joined the LGPS on or after 1 April 2014, with no earlier period of LGPS membership in England or Wales and having not transferred any previous pension rights into the LGPS, you **MUST** attain 2 years scheme membership in order to qualify for benefits. The projections made on your statement therefore assume that you will continue to contribute to the LGPS until your NPA.

Does my statement take account of any early retirement reduction?

If you were over age 55 as at 31 March 2024, your benefits do **NOT** include any early retirement reduction applicable if you were to retire before your NPA.

What if I contribute to the LGPS under another employment?

You will receive a separate statement in respect of each of your pensionable employments.

What if I also have a deferred benefit under the LGPS?

You will receive a separate statement for any deferred benefit you may have from an earlier period of LGPS membership.

Can I pay more to increase my benefits?

There are two in-house options available to you. You can either make Additional Voluntary Contributions (AVC) or you can elect to purchase additional pension by making Additional Pension Contributions (APC). An online APC calculator is available at: <https://www.lgpsmember.org/more/apc/index.php>

For further information, please contact the pension section.

What happens if I am unable to work because of an illness?

If you have been absent from work because of an illness and you have received reduced or nil pay as a result, there will be no affect to your pension build up. If your employment is then terminated on the grounds of permanent ill health, your retirement benefits may become payable immediately at an unreduced rate; your employer has to make a decision after having obtained certification from an Independent Registered Medical Practitioner. For further information on the ill health process, please contact your employer.

Has my Pension Sharing Order / Scheme Pays deduction been applied?

This year adjustments have been made to the benefits shown on your statement if they have been subject to a Pension Sharing Order (following a divorce /dissolution of a civil partnership) or if you have made an election for the Scheme to pay the tax charge due after you have exceeded the Annual Allowance. If you require any further information regarding this, please contact us.

Does my statement provide for any Underpin protection?

The projections shown on your statement do not provide for any Underpin adjustment. Currently the underpin only applies if you were an active member of the Scheme on 31 March 2012 and you were within 10 years of your protected (2008 Scheme) NPA i.e. over age 55, having **NOT** had a continuous break in active membership of a Public Service Pension Scheme of more than 5 years (after 31 March 2012), **NOT** drawn any benefits in the LGPS before your protected NPA and you leave with an immediate entitlement to benefits.

If the underpin applies to you, a calculation will be performed at the date you cease to contribute to the scheme (or at your protected NPA if earlier), to check that the pension you have built up (or, if you have been in the 50/50 section of the scheme at any time, the pension you would have built up had you always been in the Main section of the scheme) is at least equal to that which you would have received had the scheme not changed on 1 April 2014. If **NOT** at least equal, the difference in your benefits will be added to your CARE pension account.

More information about the LGPS is available from:

Pension Section
Royal Borough of Greenwich
Finance Directorate
3rd Floor, The Woolwich Centre,
35 Wellington Street,
Woolwich,
London
SE18 6HQ

Telephone:
020 8921 4933

Email:
Pensions@royalgreenwich.gov.uk

Website:
www.royalgreenwich.gov.uk/pensions

And the National LGPS website:
www.lgpsmember.org