

Retirement Journey

June 2019



Retirement journey

- 1) Annual Benefit Statements
- 2) Estimate Process
- 3) Retirement Process
- 4) Exit Payment Cap

Annual Benefit Statements

- Staffordshire Pension Fund must issue an Annual Benefit Statement within 5 months of the end of the Scheme Year (31 March)
- This is a Statutory Obligation
- Statements must be issued to all Active, Deferred, Deferred Pensioner (ceased Tier 3 benefits) and Pension Credit members
- Failure to provide an ABS by 31 August is a Breach and must be reported to the Pensions Regulator

What does an ABS show?

- Checking personal details
- Benefits payable as at 31 March, payable at Normal Retirement Age
- Break down of the elements of the calculation
- Death in service benefits
- Estimated benefits at Normal Pension Age
- Lifetime Allowance

Why is it important?

Pre 2014 Scheme

- All benefits based on final salary



You could get it right at the end.....

Post 2014 Scheme

- Benefits based on 2 salaries:
 - Final salary (old definition)*
 - Actual salary per year (including overtime and bonuses)
- Incorrect actual salary = Incorrect CARE pension for that year
- Assumed pensionable pay



Data requirements are more onerous – accurate record keeping is key

Pension Build Up

Membership up to 31 March 2008		Membership from 1 April 2008 to 31 March 2014		Membership from 1 April 2014
Annual Pension = Membership x Final Pay / 80	+	Annual Pension = Membership x Final Pay / 60	+	Annual Pension = Pensionable pay for each year / 49 (half that if in 50/50 section)
Automatic tax-free cash lump sum = 3 x Annual Pension		No automatic tax-free cash lump sum*		No automatic tax-free cash lump sum*

* Option to convert pension into tax-free cash

What does an ABS look like?

Each section of the ABS is colour-coded:

Dark Blue – personal details

Section 1 | Your personal and employment information at 31 March 2018



Full name >

Partnership status >

Email address >

Employer 31 March 2018 >

Section of LGPS >

Date joined fund >

Reference >

What does an ABS look like?

Light Blue – this is the value held in the member's Pension Account at the 31 March in the year the statement was issued (as if the member had left on 31 March and then the benefit were to be paid at Normal Pension Age)

Left hand side – Standard Benefits

Right hand side – Maximum Lump Sum

Section 2 | Summary of your total benefits at 31 March 2018



Standard benefit option

Annual pension

Lump sum retirement grant
For membership before 1 April 2008



Maximum lump sum option

Reduced annual pension

Increased lump sum
retirement grant

What does an ABS look like?

Light Blue – this is the Pay that has been used to calculate the benefit each year (provided by you as the Employer in your Year End Return)

Final Salary – this should be a Whole Time Equivalent

CARE Pay – this is the Actual Pay for each section – this should include APP

You are the first point of contact for the member if this information is incorrect

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




What does an ABS look like?

Dark Green – this section shows how the Pension and Lump Sum from Section 2 has been calculated (split between Final Salary and CARE calculations)

Section 4 | Summary of your standard total benefits on page 1 is made up of: 

Your final salary pension scheme	Your total CARE account
For membership to 31 March 2008 of 	Opening balance at 1 April 2017 
Pension 	Adjustment for cost of living 1 April 2017 
For membership from 1 April 2008 to 31 March 2014 of 	In-year build-up 
Pension 	
Total final salary annual pension 	Total CARE closing balance 
Lump sum retirement grant based on membership to 31 March 2008 	



What does an ABS look like?

Light Green – this is the in year build up of CARE

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

Any pension bought or transferred into the fund before 1 April 2017 will already have been accounted for in the existing figures. If the pension was transferred into the fund before 1 April 2014 it is included in your final salary and not LGPS CARE benefits.

Scheme year April 2017 to March 2018

	Your CARE pensionable pay – main section divided by 49	➤
+	Your CARE pensionable pay – 50/50 section divided by 98	➤
+	Additional pension bought	➤
+	Transfers in	➤

What does an ABS look like?

Orange – this section provides estimate values for Death In Service benefits

Section 5 | Value of death in service benefits at 31 March 2018



Annual survivor's pension



Lump sum death grant



Nomination details for lump sum death grant


The date you last nominated anyone to receive any death grant:

If you have not yet nominated anyone to receive any death grant, and would like to do so, you can fill in a form by going to our website at www.staffspf.org.uk/Members/Forms/Nominate-Beneficiary.aspx

What does an ABS look like?


Red – benefit projections – this projects forward the benefit that would be due if the member continues to have the same CARE pay for each scheme year from the ABS issue date to Normal Pension Age (later of age 65 or State Pension Age)

Section 6 | Estimated benefits if you stay in the scheme until your normal pension age


Your normal pension age (NPA) 

Estimated final salary pension built up to NPA 

Estimated CARE pension built up to NPA 

Total estimated annual pension at NPA 

Total estimated lump sum retirement grant 

Estimated final salary survivor's pension at NPA 

Estimated CARE survivor's pension at NPA 

Total estimated survivor's pension at NPA 

What does an ABS look like?

Purple – Tax and your pension – this section gives details of the Standard Lifetime Allowance values of a benefit

Section 7 | Tax and your pension



Tax limits apply to pension savings. These limits are called the lifetime allowance and the annual allowance. Confirmation of your lifetime allowance value at the 31 March 2018 is provided below. The standard lifetime allowance was £1 million for the 2017/2018 tax year. From April 2018 the standard lifetime allowance will be increased in line with inflation.

Lifetime allowance

Current lifetime allowance value at 31 March 2018



The percentage of your lifetime allowance used by the current value of your LGPS benefits shown in this statement



%

Estimate Process

- Member can request an estimate from us (only if within 12 months of retirement)
- Member can use MSS to check own benefit
- Employer can request estimates
- Member cannot request estimates on grounds of – Ill Health, Redundancy/Efficiency, Flexible Retirement or any estimate where there may be a cost to the employer
- GDPR Issues

Estimate Process - Timescales

- Our Service Standards for Estimate Processing is 20 working days
- What we require from you:
 - Date
 - Reason for leaving
 - Pay
 - If the member's estimate should be issued immediately

Quick Question

- You are retiring. When do you expect to be paid?
- When do you send Pensions a termination form?
- Do your employees have the same expectations?
- Do you explain the process to them?

Retirement Process

- What do you need to provide?
 - Termination Details
 - Date
 - Reason for leaving
 - Pay (please note, we may need 13 years worth of Final Salary)

Retirement Process (Pensions Services)

- 2 stage process
- Stage 1 – Commutation Quotation
 - Disclosure requirement
 - 2 months if leaving under SPA
 - 1 month if at or over SPA
 - Breach is reportable to regulator if standard not met

Retirement Process (Pensions Services)

- Stage 2 – Actual Payment
- Our Service Standard member to receive payment of any Lump Sum Retirement Grant within 13 working days of us receiving all information/documentation
- Pension will be paid (with arrears) at the end of the next pay period

Exit Payment Cap

- Restricting exit payments within the Public Sector to £95k
- Consultation ends 3 July
- What payments?
 - Redundancy Payment
 - Compensation Payment
 - PILON
 - Settlement Agreement / ex-gratia payment
 - Pension Strain / Actuarial Strain
- May require amendments to Pension Scheme Regulations
- May require new Factors to calculate Strain
- Watch this Space for more information

Actuarial Strain

- What is Actuarial Strain?
 - Cost for early release based on locally agreed factors
- Why is it different for each member?
 - Dependant on Age; Pension benefit (including TVs); R85 protection

In Summary

- Joined up working between Pensions and Employers is essential

And Finally.....

