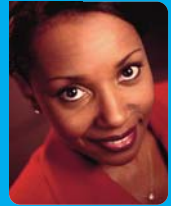




# Your Annual Benefits Statement 2010



WEST MIDLANDS



PENSION FUND

# Introduction

Welcome to your 2010 annual benefits statement, provided by the West Midlands Pension Fund, in respect of your membership of the Local Government Pension Scheme (LGPS)

You have no doubt seen in the recent Budget that the Government is changing the way all public sector pensions (including the Local Government Pension Scheme) are increased each April.

The reason stated is that they wish to provide a consistent approach to the increase applied to pensions; one which is seen as being more stable over time and does not fluctuate as much from year to year.

Traditionally, the increase has been based on the change in the retail prices index (RPI) but, from April 2011, the proposed increase will be based on changes in the consumer prices index (CPI). These changes will affect how deferred benefits are revalued and also how pensions in payment are increased from April 2011.

Although this will not directly affect the value of benefits for active contributors to the Scheme, it will have an impact on transfers in and out of the Scheme as the increase, which is taken account of in such transfers, will change. We will, of course, bring you more information as we receive it, but

below is the position as we understand it at the time of writing:

## **Pensioners**

From April 2011 increases will be based on CPI. Previous increases are not affected.

## **Deferred members**

Deferred benefits will be revalued in line with the RPI, up to and including the April 2010 pensions increase. From April 2011 onwards, increases will be linked to CPI.

## **Active members**

No change to the way benefits build up but, once in payment, they will increase in line with the CPI.

## **Can the Fund ignore the change and carry on applying RPI?**

No – the rules of the Scheme tell us what to do by law – we have to increase pensions as instructed by the Government. The Fund has no discretion to pay either more or less.

## **For more information:**

[http://www.statistics.gov.uk/downloads/theme\\_economy/cp\\_brief\\_guide\\_2004.pdf](http://www.statistics.gov.uk/downloads/theme_economy/cp_brief_guide_2004.pdf)

**IMPORTANT:** Remember – this statement contains personal information which should be kept safe. In view of the length of time which may elapse before your annual benefits are brought into payment, you should notify us of any change of address or cohabiting/marital status.



B. Bailey

**Brian Bailey**  
Director of Pensions  
West Midlands Pension Fund

### **Independent Public Services Pensions Commission chaired by John Hutton**

As you may have read in the press, the above commission was tasked with presenting its findings on pensions during the last quarter of this year.

The Fund has co-written a joint submission with the Local Authority Pension Fund Forum (LAPFF), a voluntary association of 52 public sector pension funds based in the UK. LAPFF exists to support and co-ordinate the views of members' local government pension funds.

#### **The summary of this response is as follows:**

The main point in respect of the LGPS is that, overall, it represents a viable and sustainable Scheme, albeit with some amendments required to ensure its costs are controlled and it meets the requirements of current employment arrangements. It makes a significant contribution to giving people on low incomes

resources in their retirement to increase their financial independence and reduce their need for state benefits.

The LGPS could be a key part of any national policy for ensuring people have sustainable income in their old age. The LGPS as part of a remuneration package is balanced and broadly reasonable in terms of its treatment of public sector workers relative to private sector employment.

The Scheme is administered locally by councils and, while the Scheme overall is robust, it is recognised that a few administering authorities have more challenging positions, due to local decisions taken historically and workforce changes.

These should not be allowed to detract from the overall robust position.

A copy of the full response can be seen at [wmpfonline.com/pdfs/LAPFF.pdf](http://wmpfonline.com/pdfs/LAPFF.pdf)

The information provided in this statement is based on the *All About Your Scheme* guide published in June 2010. This is available on the Fund's website [wmpfonline.com](http://wmpfonline.com) or by contacting your employer or the Fund direct.



# Your LGPS Retirement Benefits

You can look forward to enjoying a guaranteed package of benefits when you retire. In this section, we look at how your retirement benefits are worked out and when you can retire if you pay into the LGPS on or after 1 April 2008.

Your LGPS benefits are made up of:

- › An annual pension that, after leaving, increases every year for the rest of your life, and
- › The option to exchange part of your pension for a tax-free lump-sum paid on retirement.

The two main factors used to calculate your LGPS pension are:

- › your membership in the Scheme, and
- › your final pay.

**If you joined the LGPS on or after 1 April 2008**, for each year of membership you receive a pension based on 1/60th of your final pay – so if you have 40 years' membership, you get 40/60ths or two thirds of your final year's pay as an annual pension.

**If you joined the LGPS before 1 April 2008**, your benefits for membership before 1 April 2008 are calculated differently. You can find out how from the section '*If You Joined the LGPS Before 1 April 2008*'.

## Final pay

This is usually the pay in respect of the final year (grossed up to a full year's pay if you did not receive pay for a full year) of Scheme membership on which you paid contributions, or one of the previous two years if this is higher, and includes your:

- › normal pay
- › contractual shift allowance
- › bonus
- › contractual overtime
- › maternity pay, paternity pay, adoption pay, and
- › any other taxable benefit specified in your contract as being pensionable.

This may not include all your pay as we don't include non-contractual overtime.

A summary of your benefits is on pages 10, 11 and 12 of this booklet.



## Membership

An important element used in working out your pension is your membership. This normally includes:

- How long you have been a member of the LGPS worked out in years and days, but excluding:
  - membership for which you already receive a LGPS pension or hold an LGPS deferred pension
  - membership from any concurrent job you may have, and
  - any LGPS membership in respect of which you have received a refund or have transferred the pension rights to another scheme.
- Membership purchased by a transfer from another scheme.
- Any extra membership you have bought with additional contributions or by converting in-house additional voluntary contributions (AVCs) into membership.

- Any extra membership awarded by your employer.

**If you work part-time**, although the calendar length of your membership is used to decide if you are eligible for a benefit, your membership is reduced to its whole-time equivalent length to calculate the amount of your retirement benefits. For example, if you work half-time for ten years, your benefits would be calculated on five-years' membership.

**If you have transferred membership from the LGPS in Scotland or Northern Ireland**, it may not count at its actual calendar length.

# If You Joined the LGPS before 1 April 2008

A new-look Local Government Pension Scheme (LGPS) was introduced from 1 April 2008, changing the cost and benefits of being a member of the LGPS. In this section, we look at how your LGPS benefits are affected if you joined the LGPS before 1 April 2008.

## How your benefits are worked out

**If you joined the LGPS before 1 April 2008**, benefits based on your membership to 31 March 2008 will be calculated differently to those based on your membership from 1 April 2008.

**For membership built up to 31 March 2008**, you receive a pension of 1/80th of your final pay plus an automatic tax-free lump-sum of three times your pension.

**For membership from 1 April 2008**, your pension will be at the increased rate of 1/60th of your final pay. There will be no automatic lump-sum for membership built up after March 2008, but you do have the option to exchange some of your pension for extra tax-free lump-sum at retirement.





Here is an example of how benefits are worked out if you have membership up to and after 31 March 2008.

Let's look at someone who has eight years' membership up to 31 March 2008 and 24 years' membership after then when they retire at age 65. Their final year's pay on retirement is £20,000.

**Benefits based on their eight years' membership up to 31 March 2008**

Their annual pension is:  
 $8/80\text{ths} \times £20,000 = \text{£}2,000$

Plus an automatic tax-free lump-sum:  
 $3 \times 8/80\text{ths} \times £20,000 = \text{£}6,000$

**Benefits based on their 24 years' membership from 1 April 2008**

Their annual pension is:  
 $24/60\text{ths} \times £20,000 = \text{£}8,000$

**To give total benefits of:**

An annual pension  
 $£2,000 \text{ plus } £8,000 = \text{£}10,000$

Plus a tax-free lump-sum = **£6,000**

But remember, it's possible to exchange some of your pension for extra tax-free lump-sum. You can take up to 25% of the capital value of your LGPS benefits as a lump-sum (limited to £450,000 - 2010/2011 figure - less the value of any other pension rights you have in payment). For every £1 of annual pension that you give up, you will receive an extra £12 lump-sum.

To summarise, any pension built up before April 2008 is calculated at the 1/80th rate with a lump-sum of three times the pension. Only pension built up from 1 April 2008 is calculated at the better 1/60th rate and there is an option to take extra lump-sum in exchange for some pension.



**You should note that:**

If you were an active member of the Scheme on 31 March 2008, each year of membership purchased by a transfer in from another pension scheme will attract a pension at the 1/80th rate, plus an automatic tax-free lump-sum of three times the pension.

If you are awarded extra membership by your employer and the date your employer resolved to award this was before 1 April 2008, those years will attract a pension at the 1/80th rate plus an automatic tax-free lump-sum of three times the pension.

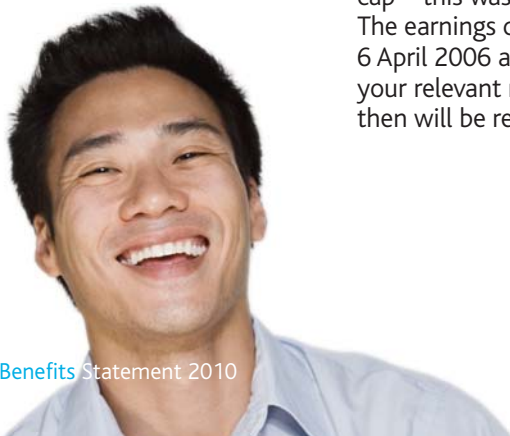
If you have an in-house AVC fund and you convert it into extra LGPS membership, the extra membership will attract a pension only, calculated at the 1/80th rate. You are only allowed to convert your AVC fund into LGPS membership in limited circumstances, and only if your election to start paying AVCs had been made before 13 November 2001.



If you are buying extra membership in the LGPS (added years), any extra benefits will be calculated on the same basis you had agreed to buy them.

If you are a married man with membership before 1 April 1972, that membership will be converted to 89% of its length unless you elected to pay extra contributions to convert it to its full length.

If you are a high earner, and you joined the Scheme after 31 May 1989 and before 6 April 2006, you could only pay contributions and have your benefits based on your pay up to the earnings cap – this was £105,600 for 2005/6. The earnings cap was removed from 6 April 2006 and, if it affected you, your relevant membership prior to then will be reduced.





### **When you can retire**

The Scheme's normal pension age is still 65. If you continue working beyond age 65, you can stay in the Scheme, but you must draw your benefits by age 75. Benefits drawn after 65 will be increased.

To be entitled to retirement benefits you must have been a member of the LGPS for at least three months, or have brought in a transfer from another pension scheme, or already have a deferred benefit in the LGPS in England or Wales.

### **Early retirement**

You can retire and receive payment of your benefits at any time from age 60 onwards, and you don't need your employer's consent to do so. To draw your benefits before age 60, you must have your employer's consent. The earliest age you can ask for early retirement with your employer's consent is 55.

If you voluntarily retire before age 65, your benefits may be reduced.

# Your Annual Benefits Statement 2010

## Pensionable pay (as at 31 March 2010)

The figures are based on an estimated pensionable pay of  
(see page 19 about the figure used):

## Membership

	Current position	As at age 65
Membership up to 31 March 2008		
Additional membership (purchased to 31 March 2010 counts as pre-2008 membership).		
Post-1 April 2008 membership		
<b>Total membership*</b>		

\*This includes any additional membership purchased or augmented membership awarded

## Benefits

	Current position	As at age 65
Annual pension (pre-2008)		
Annual pension (post-2008)		
<b>Total annual pension</b>		
Lump-sum retirement grant		
Spouse's, civil partner's or nominated cohabiting partner's pension		
Death benefits (as at 31 March 2010)		Date last form received*
<b>Nomination form received</b>		

\*This date may be the date the Fund processed your nomination form and can be some weeks after this was received. This does not affect the validity of the form when received. If, however, it has been more than two years since you last completed a form, we would suggest you complete a new one which is enclosed in this pack.

### Additional membership

The benefits, as a result of additional membership being purchased, are included in the 'current' and 'age 65' values quoted.

### Additional regular contributions (ARCs)

Any ARCs purchased are included in the current values quoted.

### Lump-sum retirement grant

For membership after 1 April 2008, a lump-sum is not applicable. All members have the option to exchange part of the pension built up for an additional lump-sum. Details of this option will be provided to each member upon retiring from the LGPS.



# The information we hold about you...

## Recorded periods of membership from a previous scheme

These are periods transferred from another pension scheme or other type of pension arrangement. These are included in your total period of membership and retirement benefits calculation shown.

### Employer/Pension Scheme

Due to printing restrictions a maximum of six lines of membership is shown. However, all membership is included in the figures shown.

### Membership to be used in the calculation of benefits

Format YY/DDD

### Membership to be used in determining entitlement to benefits

Yes/No

Employer/Pension Scheme	Membership to be used in the calculation of benefits	Membership to be used in determining entitlement to benefits

## Have we got your statement information right?

We hope that you find the information in this statement useful. However, we would ask that you carefully check the details it contains.

If it appears that details are incorrect, please notify us or your employer, where applicable, of the changes required. You are reminded that this statement is an illustration of the values and benefits provided by the Local Government Pension Scheme (LGPS).

You should not make any decisions based on the information provided.





### **Redundancy or efficiency retirement**

If you are made redundant or retired on business efficiency grounds, the earliest age immediate benefits are payable is 55.

### **Flexible retirement**

The earliest age for flexible retirement is age 55.

You must reduce your hours or grade and have your employer's consent to take flexible retirement. If you draw your benefits on flexible retirement before age 65 they may be reduced.

### **Early payment - reductions to benefits**

If you choose to retire before age 65 or your employer allows you to draw your benefits on flexible retirement before age 65, your benefits may be reduced to take account of being paid for longer. How much your benefits are reduced by depends on how early you draw them.

The reduction is based on the length of time (in years and days) that you retire early – ie, the period between the date your benefits are paid to age 65. The earlier you retire, the greater the reduction.

The reduction is calculated in accordance with guidance issued by the Government Actuary's Department from time to time. As a guide, the percentage reductions, issued in April 2008, for retirements up to five years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

Number of years paid early	Pensions reduction		Lump-sum reduction
	Men	Women	
0	0%	0%	0%
1	6%	5%	2%
2	11%	10%	5%
3	16%	15%	7%
4	20%	19%	9%
5	24%	23%	12%

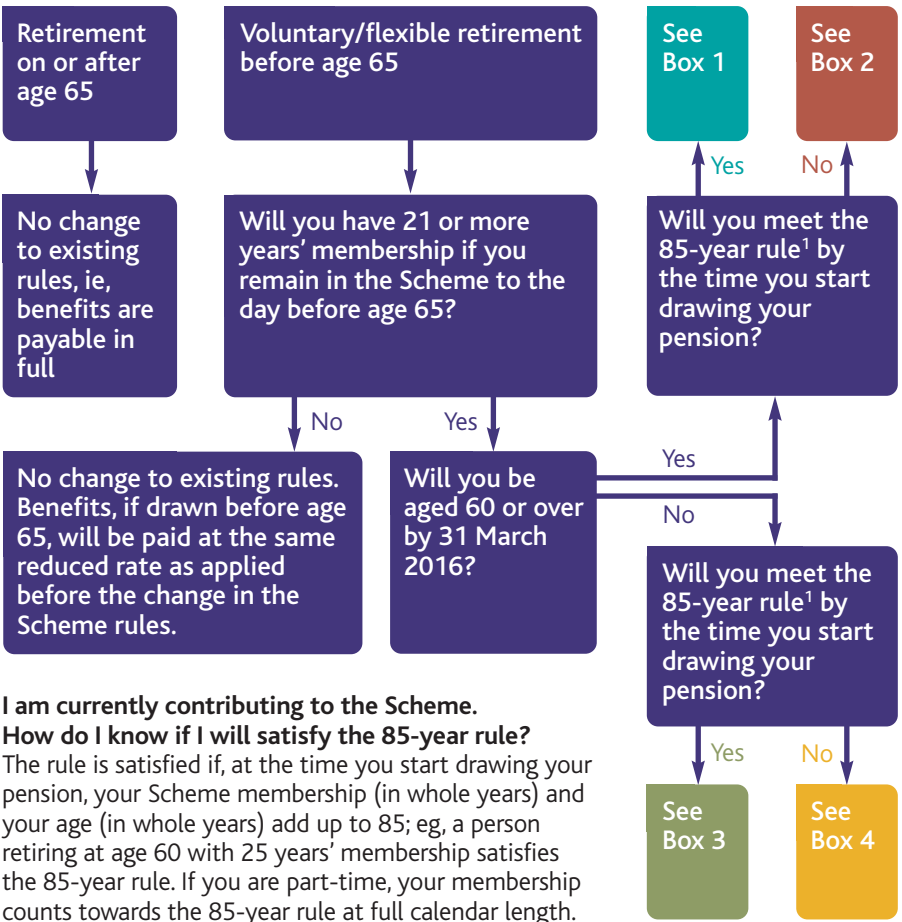
If you were a member of the LGPS on 30 September 2006, some or all of your benefits paid early could be protected from the reduction under what is called the 85-year rule.

# 85-Year Rule Flowchart

**How have the changes to the 85-year rule in the LGPS in England and Wales, which were made on 1 October 2006, affected me?**

By following the flowcharts below, you will be able to see how the changes to the Scheme made on 1 October 2006 affect you if you were contributing to the Scheme on 30 September 2006:

- › you voluntarily retire on or after age 60;
- › you voluntarily retire on or after 55 and before age 60 with your employer’s consent;
- › you take flexible retirement with your employer’s consent on or after age 55.



**I am currently contributing to the Scheme.**

**How do I know if I will satisfy the 85-year rule?**

The rule is satisfied if, at the time you start drawing your pension, your Scheme membership (in whole years) and your age (in whole years) add up to 85; eg, a person retiring at age 60 with 25 years’ membership satisfies the 85-year rule. If you are part-time, your membership counts towards the 85-year rule at full calendar length.

### Box 1

**None of the benefits you accrue up to 31 March 2016 will be reduced.**

However, any benefits you accrue after that date will be reduced to take account of the fact that the benefits are being drawn before age 65. The size of the reduction will depend on how many years before age 65 you draw your benefits.

### Box 2

**The benefits you accrue up to 31 March 2016 will be reduced, but the calculation of the reduction will be the same as under the old rules (ie, based on the number of years you are short of meeting the 85-year rule<sup>2</sup>).**

The benefits you accrue after 31 March 2016 will be reduced, but the calculation of the reduction will be higher than under the old rules to take account of the fact that the benefits are being drawn before age 65. The size of the reduction will depend on how many years before age 65 you draw your benefits.

### Box 3

**None of the benefits you accrue up to 31 March 2008 will be reduced.**

However, any benefits you accrue after that date will be reduced to take account of the fact that the benefits are being drawn before age 65. The size of the reduction will depend on how many years before age 65 you draw your benefits. If you will be aged 60 between 1 April 2016 and 31 March 2020 and meet the 85-year rule<sup>1</sup> by 31 March 2020, please see note<sup>3</sup>.

### Box 4

**The benefits you accrue up to 31 March 2008 will be reduced, but the calculation of the reduction will be the same as under the old rules (ie, based on the number of years you are short of meeting the 85-year rule<sup>2</sup>).**

The benefits you accrue after 31 March 2008 will be reduced, but the calculation of the reduction will be higher than under the old rules to take account of the fact that the benefits are being drawn before age 65. The size of the reduction will depend on how many years before age 65 you draw your benefits. If you will be aged 60 between 1 April 2016 and 31 March 2020 and meet the 85 year rule<sup>1</sup> by 31 March 2020, please see note<sup>3</sup>.

**Please note that no reduction will be applied to any of your benefits if you draw them on or after age 65.**

#### Notes:

- <sup>1</sup> Or meet an earlier normal retirement date which some members who joined the Scheme before 1 April 1998 have under previous regulations.
- <sup>2</sup> Or the shortfall to any earlier normal retirement date which some members who joined the Scheme before 1 April 1998 may have had under previous regulations.
- <sup>3</sup> If you will be aged 60 between 1 April 2016 and 31 March 2020 and meet the 85-year rule (or meet an earlier normal retirement date which some members who joined the Scheme before 1 April 1998 have under previous regulations) by 31 March 2020, the benefits you build up between 1 April 2008 and 31 March 2020 will be reduced, but the reduction will not be the full amount.

# Life Cover and Financial Protection For Your Family

In this section we look at how these benefits work if you pay into the LGPS on or after 1 April 2008.

## What benefits will be paid if I die in service?

If you die in service as a member of the LGPS, the benefits shown below are payable.

**A lump-sum death grant** of three times your final year's pay is paid no matter how long you have been a member of the LGPS, provided you are under age 75 at the date of death. For part-time employees, it is three times your actual part-time pay.

**A survivor's pension.** An ongoing pension is provided for your husband, wife, registered civil partner or, subject to certain qualifying conditions, your nominated cohabiting partner. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

› **For your husband, wife or civil partner:** the pension payable is equal to 1/160th of your final pay times the membership you would have built up to age 65.

› **For your nominated cohabiting partner:** the pension payable is calculated in the same way, although only your membership from 6 April 1988 is used in the calculation, plus any of your membership before 6 April 1988 that you have opted to pay additional contributions for, so that it counts towards a nominated cohabiting partner's pension. Contact us for information if you wish to know more about this option. Under the LGPS regulations, members only have until 31 March 2011 to elect to purchase pre-6 April 1988 service for this benefit.

To nominate a cohabiting partner, your relationship has to meet certain conditions laid down by the LGPS.

A nomination form is enclosed in the centre of this booklet.





### **What are the conditions for a nominated cohabiting partner's survivor's pension?**

To be able to nominate a cohabiting partner, of either opposite or same sex, to receive a survivor's pension on your death, all of the following conditions must have applied to both you and your nominated cohabiting partner for a continuous period of at least two years on the date you both sign the nomination form:

- › both you and your nominated cohabiting partner are, and have been, free to marry each other or enter into a civil partnership with each other, and
- › you and your nominated cohabiting partner have been living together as if you were husband and wife, or civil partners, and
- › neither you or your nominated cohabiting partner have been living with someone else as if you/they were husband and wife or civil partners, and
- › either your nominated cohabiting partner is financially dependent on you or you are financially interdependent on each other.

Your partner is financially dependent on you if you have the highest income. Financially interdependent means that you rely on your joint finances to support your standard of living. It doesn't mean that you need to be contributing equally. For example, if your partner's income is a lot more than yours, he or she may pay the mortgage and most of the bills, and you may pay for the weekly shopping.

You make a nomination by completing a nomination form which is available from the Fund.

On your death, a survivor's pension would be paid to your nominated cohabiting partner if:

- › the nomination has effect at the date of your death, and
- › your nominated cohabiting partner satisfies your administering authority that the above conditions had also been met for a continuous period of at least two years immediately prior to your death.

...and...

- › if your LGPS benefits are subject to a pension sharing order issued by the court following divorce or dissolution of a civil partnership,

or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the court order or agreement. In consequence, if you remarry, enter into a new civil partnership or nominate a cohabiting partner to receive a survivor's pension, any spouse's pension, civil partner's pension or nominated cohabiting partner's pension payable following your death will also be reduced. Benefits payable to eligible children will not, however, be reduced because of a pension share.

- › if your membership in the LGPS includes a guaranteed minimum pension (GMP), your wife's pension for that part of your membership prior to 6 April 1997

must not be less than half your GMP. Your husband or civil partner's pension for that part of your membership prior to 6 April 1997 must not be less than half your GMP built up after 5 April 1988.

- › Your personal representatives will need to inform HM Revenue and Customs if, with the lump-sum death grant, the value of all your pension benefits (but not including any spouse's, civil partner's or dependant's pensions) exceeds the HM Revenue and Customs lifetime allowance. Under HM Revenue and Customs rules, any excess will be subject to a recovery tax charge. Most Scheme members' pension savings will be significantly less than the allowance.



# Important details

## Hours worked

If you do not agree with the hours of work shown, please contact your employer (we are unable to change our records, unless instructed to do so by your employer).

## Membership

Your total period of membership is used in the calculation of your benefits. All periods of membership including any membership credited following the receipt of a transfer value payment from another fund or scheme, and any additional membership purchased will be used. If you work part-time, the total length of each period of membership is first calculated. This is then adjusted by multiplying the hours worked as a fraction of the full-time proportion.

## More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact the Fund (details can be found on the back page of this booklet). The national website for members of the LGPS can be found at [www.lgps.org.uk](http://www.lgps.org.uk)

## Pensionable pay

The LGPS is a final salary scheme, which means that your pension benefits are usually based upon your length of membership in the Scheme and your final pay during the last 12 months before retirement.

For part-time workers, the final pay is the equivalent for a full-time employee, however, membership is reduced to reflect the part-time hours.

If you disagree with your pensionable pay figure, you should contact your employer in the first instance.

There are circumstances in which, because someone suffers a reduction in their pay, that an earlier pay figure may be used:

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### Best of the last three years

You can choose to have your benefits based upon your final pay for any of the last three years ending with the anniversary of your retirement, if that is higher than your final year's pay.

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### Best three-year average in the last ten years

You may also choose to have your pension benefits calculated on an average of your annual pensionable pay in any three consecutive years ending on 31 March, within the last ten years before retirement if the reduction or restriction occurs after 1 April 2008.

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### Protected pay certificate

If your pay was reduced or restricted for reasons beyond your control before 1 April 2008 and you were issued with a certificate of protection from your employer, and you leave the LGPS within ten years of the reduction or restriction in your pay, then the Fund will work out your final pay as the best year's pay in the last five years, or the average of the best consecutive three years in the last 13 years.

The above will not be reflected in the statement.

# How to get in touch

## Email us on:

PensionFundEnquiries@wolverhampton.gov.uk

## Telephone our Helpdesk on:

0300 111 1665

## Visit our website at:

wmpfonline.com

## Fax us on:

0845 230 1565

## Minicom/Typetalk:

01902 554607

## Write to us at:

West Midlands Pension Fund  
PO Box 3948  
Wolverhampton  
WV1 1XP

## Send us a text on:

Text WMPF + your message  
to 60066

Standard short code network charges apply

Lines are open during the  
following times:

8:30am to 5.00pm Monday-Thursday  
8:30am to 4.30pm Friday

Calls may be monitored for  
training purposes

## Are you having difficulty contacting the Fund?

Don't worry – immediately following the issue of annual benefits statements, we receive a significantly increased volume of telephone calls. We have a number of lines available to take your calls, but if you cannot get through first time, please try again later. You can also contact us in a number of other ways which are shown above.



### Data protection

To protect any personal information held on computer, Wolverhampton City Council is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact the City Council's Data Protection Officer on (01902) 554498, via email at [dataprotection@wolverhampton.gov.uk](mailto:dataprotection@wolverhampton.gov.uk)

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.