

Contact: Pensions
Telephone: 03000 264322
Email: pensions@durham.gov.uk
Your Ref:
Our Ref:



Dear

**Local Government Pension Scheme (LGPS)
Annual Statement of Benefits at 31 March 2023**

I am pleased to provide your Annual Benefit Statement for 2023. Included is the value of your benefits as at 31 March 2023 and a projection of the value of your benefits at your Normal Pension Age.

As you may be aware, from 1 April 2014 the LGPS changed from a Final Salary Scheme (FS) to a Career Average Revalued Earnings Scheme (CARE). Each calculation method has different definitions of pensionable pay, different membership rules and different rates for building up your benefits. If you have membership on or before 31 March 2014, your statement shows the breakdown of benefits in both schemes.

Please note the figures shown in the statement are **not guaranteed** and should not be used to make any final decision on drawing your benefits. When you decide to leave the scheme your employer will provide us with a detailed breakdown of your pay which we will use to calculate your final benefits.

If you have any questions regarding the benefits shown, please contact the pensions team via our online portal www.durham.gov.uk/pensionsonline or telephone 03000 264 322.

Yours sincerely

P. Cooper

Paul Cooper
Head of Pensions

Please ensure the following details are correct as at 31 March 2023 as any inaccuracies may affect your calculations. Please let us know if any changes are needed.

PERSONAL DETAILS

Name:

Date of Birth:

NI Number:

Partnership status:

Date joined scheme:

Career Average Revalued Earnings (CARE)

Main section pay £x

50/50 section pay £x

This is the actual pay you received and paid pension contributions on from 1 April 2022 to 31 March 2023.

Please check and contact your **employer** if you think that the figures shown are not accurate. It is particularly important to check the figures if you receive enhancements or any variable element of pay.

Final Salary (if service prior to 1st April 2014 exists)

Pensionable Pay as at 31 March 2023 £x

Membership as at 31 March 2014 x years x days

The Pensionable pay used in the final salary scheme is your full-time equivalent salary.

Please check and contact your **employer** if you think that the figures shown are not accurate. It is particularly important to check the figures if you receive enhancements or any variable element of pay.

Your actual benefits will be based on your final salary figures which will be provided and checked at the time you leave the scheme.

Please do not use the figures on this statement as definitive information to base any financial decisions on, the figures are not guaranteed and should only be used as an indication of benefits

Value of benefits as at 31 March 2023

Section of Scheme: Main Section

CARE Pension Build up (post 1st April 2014 service)

Opening Balance	£x
3.1% Cost of living adjustment	£x
Main Section 01/04/22-31/03/23	£x
50/50 Section 01/04/22-31/03/23	£x
Additional Pension Purchased	£x
Transfers in	£x
'Scheme Pays' Deduction	£x
CARE Divorce Debit	£x
Closing Balance	£x

Since 2014 each year 1/49th of your main section pay (1/98th of 50/50 section pay if applicable) is added to your pension account. At the end of each year, your pension account is adjusted in line with the cost of living.

Final Salary Benefits (pre 1st April 2014 service)

Annual Pension	£x
Lump Sum	£x

Pre 14 benefits are calculated using membership and final fulltime equivalent salary.

Annual Pension = $1/80 \times \text{membership at 31 March 2008} \times \text{final pay} + 1/60 \times \text{membership from 1 April 2008} \times \text{final pay}$

Lump sum = $3/80 \times \text{membership to 31 March 2008} \times \text{final pay}$

Total Value of your benefits at 31 March 2023

Annual Pension £x

Lump Sum £x

Survivor's Pension £x

Upon retirement you have the option of reducing your annual pension in exchange for a one off lump sum. Based on the above the maximum conversion would give you.

Reduced Annual Pension £x

Maximum Lump Sum £x

These figures represent the value of your benefits in the scheme at 31 March 2023 and do not include any early retirement reductions which could be applied if you leave the scheme before your normal retirement age.

The figures are net of completed deductions incurred from Scheme Pays tax charges and Court Order (Divorce) debits. Benefits can be taken anytime between 55 and 75, an actuarial adjustment will be applied if taken before or after Normal Pension Age. Reductions may be waived under current rules at age 55 or over if you leave on redundancy or business efficiency grounds, or at any age if you are assessed as being eligible to retire on the grounds of permanent ill health.

Please note the above figures do not include any Additional Voluntary Contributions (AVCs) which you may have been paying, nor (where relevant), any Scheme Pays deductions which have not yet been implemented.

Projected benefits if you continue to contribute until your Normal Pension Age (NPA)

Your NPA is the age when you can draw your benefits without reduction, under current rules the date of your NPA is 24 November 2047.

Under the CARE scheme NPA is linked to State Pension Age (SPA) (with a minimum age of 65), this means your NPA may change if the Government changes SPA.

You can check your SPA at www.gov.uk/state-pension-age

The NPA for Final Salary benefits differs, for most people this will be age 65.

If your NPA in the CARE scheme differs from that in the Final Salary scheme an actuarial increase for the period between dates is included in the projections. This is based on current factors and may differ to those in place when benefits are drawn.

The projections are based on your earnings at 31 March 2023 and do not assume any inflation or cost of living adjustments. They assume you remain in the Main Section of the scheme until NPA. The figures are net of deductions incurred from Scheme Pays tax charges and Court Order (Divorce) debits.

CARE Benefits at Normal Pension Age

Annual Pension £x

Final Salary Benefits at Normal Pension Age

Annual Pension £x

Lump Sum £x

Total Value of your benefits at Normal Pension Age

Annual Pension £x

Lump Sum £x

Survivor's Pension £x

You may opt to reduce your annual pension to provide for a larger tax free lump sum.

For every £1 of annual pension given up you will receive £12 tax free lump sum.

Under current regulations if you exchanged the maximum amount your benefits could be:

Reduced Annual Pension £x

Maximum Lump Sum £x

Please note that the maximum tax free lump sum that can be taken by any scheme member is £268,275, amounts over this will incur a tax charge.

Please note the above figures do not include any Additional Voluntary Contributions (AVCs) which you may have been paying, nor (where relevant), any Scheme Pays deductions which have not yet been implemented.

Benefits payable in the event of Death in Service:

Lump Sum Death Grant:	£x
Survivor's Pension	£x

If you die in service a death grant of three times your assumed pensionable pay may be payable.

This will generally be paid to either the person (or people) nominated on your 'Expression of Wish' form or to your next of kin if you have not completed a form.

You can view and update your nomination details at any time via the member portal at www.durham.gov.uk/pensionsonline

If you have not registered for the portal, and wish to make or amend a nomination, forms are available at www.durham.gov.uk/lgps (under LGPS forms).

The LGPS automatically provides a pension for your husband, wife, registered civil partner, co-habiting partner (subject to conditions) and for eligible children* on your death.

*eligible children – are children who at the date of your death are

- under 18 and wholly or mainly dependent on you
- aged over 18 and under 23, dependent on you, and in full-time education or training or undertaking vocational training, or
- in some cases a dependent child of any age with a disability may be classed as an eligible child

The survivor benefits shown in this statement are calculated on the basis of the current partnership status held, no survivor pension (other than for eligible children) is payable if a member is single or does not have an eligible cohabiting partner.

The calculation for survivor benefits is:

- Pre14 element = $1/160 \times \text{membership at 31 March 2014}^* \times \text{final pay}$
- CARE element = $1/160\text{th}$ of the pensionable pay you received in each year plus, an enhancement equal to $1/160\text{th}$ of your assumed pensionable pay for each year of membership you would have built up from your date of death to your Normal Pension Age.

*Please note that the survivor benefit payable to a surviving pre-leaving spouse or civil partner is based on all membership, the survivor benefit payable to:

- an eligible cohabiting partner will not include any membership before 6 April 1988
- a widow of a male member who married after leaving the Scheme, a survivor of a same sex marriage if the marriage occurred after leaving, or a civil partner of a post leaving civil partnership will not include any pre-6 April 1978 membership
- a widower of a female member who married after leaving will not include any pre-6 April 1988 membership

Contribution Flexibility

Additional Pension Contributions (APCs) – APCs allow you to buy extra pension (up to a maximum of £7,579) which will be added to your annual pension each year. The cost of buying extra pension varies with age and the length of time the contributions are paid over. For more information, please visit www.lgpsmember.org/more/apc/index.php

Additional Voluntary Contributions (AVCs) – You can pay AVCs to one of the fund's two AVC providers (Standard Life or Prudential). With AVCs you can choose how much to pay and when to start and stop payments. This will build up a pot of money that can be used upon your retirement. For information about the ways you can use your AVC plan see the national LGPS website:

www.lgpsmember.org/your-pension/planning/paying-extra/#taking-your-additional-voluntary-contributions

If you would like more information about AVCs from Standard Life you can visit their website www.standardlifepensions.com/lgps Alternatively you can call **0345 2798831** (9am to 5pm weekdays calls are charged at local rates and may be recorded for training purposes.).

If you would like more information about AVCs from Prudential please call Pension Connection on **0800 7310466** or email durhamavc@prudential.co.uk with your daytime phone number for a call back to discuss your options. Pension Connection are open 9am to 6pm weekdays, calls are charged at local rates and may be recorded for training purposes. You can also visit the Prudential website www.pru.co.uk/pensions-retirement/workplace-pensions

Shared Cost AVCs - Your employer has recently implemented a Salary Sacrifice Shared Cost AVC scheme (SSAVC) for members of the LGPS. AVC deductions paid through the SSAVC scheme will save on both tax and National Insurance contributions, meaning the cost of saving extra for your retirement is reduced even further.

Unlike other salary sacrifice schemes, this scheme does not impact your main LGPS scheme benefits as we still use your notional salary (salary before AVC deductions) to calculate your main scheme benefits. However, salary sacrifice AVC deductions are limited, and you cannot reduce your salary any lower than the national minimum wage or lower earnings limit; this will ensure your State Pension Benefits are not affected – your payroll team will perform NWM checks should you apply to this scheme.

If you wish to apply for a salary sacrifice AVC or need further information please visit our salary sacrifice AVC provider's website www.AVCWise.co.uk here you will be able to join webinars, chat to advisors and apply online if you decide the scheme is right for you.

Reducing Your Pension Contributions - The LGPS offers you the flexibility to pay half your normal contribution rate and build up half your normal pension whilst retaining full life and ill-health cover. This is called the 50/50 section of the LGPS. It is designed to help members stay in the scheme, building up valuable pensions benefits during times of financial hardship.

The 50/50 section is designed to be a **short-term** option, your employer is required re-enrol you back into the main section of the scheme approximately every three years on a re-enrolment date set by them. You are also able to revert back to the main section of the LGPS at any time by informing your employer in writing. You can obtain an election form to do this from either your employer or online at

<https://www.durham.gov.uk/article/2540/Local-Government-Pensions-Scheme-forms>

If you are in the 50/50 section and your pay is reduced to zero because of sickness, your employer will move you back into the main section of the scheme from the next pay period (if your pay is still zero). This will also apply if your pay reduces to zero during a period of ordinary maternity and adoption leave (usually the first 26 weeks) or paternity leave.

Retirement from the LGPS

The Retirement Process

If you are intending to leave employment and are old enough to take your LGPS benefits, you should note the steps below which must be followed before your pension can be paid:

- Submit your notice to your employer, your period of notice will be in your contract.
- A notification that you are leaving employment is sent by your employer to the Durham County Council Pension Fund ("the Fund") to begin the retirement process.
- The fund also require confirmation of your final pay from your employer. If you have any pre-2014 membership, the final salary will be the best of your last 3 years salaries.
- **It is important to note that you will not hear from the Pensions Team until after you have received your final pay from your employer.**
- Once in receipt of the leaver notification and pay calculation, the Fund will begin the retirement process. After undertaking the necessary calculations, the Fund will write to you with an illustration of your benefits, a summary of the options available to you, and the necessary paperwork for you to complete.
- Once your paperwork is returned, the necessary checks will be carried out to ensure your paperwork has been completed fully and accurately. Any errors may result in a delay in payment of your benefits.
- A final calculation of your benefits will then be undertaken, based on the options you have selected. After the calculation has been authorised, your pension can be brought into payment and any lump sum (if applicable). Payment of any AVCs will follow, after receipt of your funds from your external AVC provider.
- A final letter is sent to the scheme member, giving details of when payment of the annual pension will begin (plus notification of any arrears due) and when the member can expect to receive payment of the lump sum into their bank account.

A confirmation letter will be sent to your home address, confirming details of when payment of the annual pension will begin (plus notification of any arrears due) and when you can expect to receive payment of the lump sum in to your bank account.

Protections if Your Pay is Reduced

If you suffer a permanent reduction in salary, this could reduce the value of your final salary benefits. As noted above, any final salary benefits you have accrued, will be calculated based on the best your last 3 years salaries. If you have suffered a **permanent** reduction to your salary in the last 13 years of your employment you can request that the Fund use the average of the highest 3 consecutive years ending 31 March. You cannot make use of this protection if your pay is reduced at the end of a period when your pay was temporarily increased. You must notify the Fund before retirement if you wish to utilise this provision by completing the relevant declaration form which is available by contacting the Pensions Team.

Pension Fund Update

Pensions Online

The Durham County Council Pension Fund's online member portal is now active and available for registration and use.

The Pensions Team hope that you will enjoy the key benefits that the portal offers, including:

- View your salary and service details
- Update your personal and nomination information
- Get a quick 'snapshot' of your potential future benefits
- Run retirement quotes
- View and download your Annual Benefit Statements

If you have not yet registered, you can do so by visiting www.durham.gov.uk/pensionsonline

Normal Minimum Pension Age Increase from 2028

The Finance Act 2022 makes provision to increase the Normal Minimum Pension Age (NMPA) from age 55 to age 57 from 6 April 2028. The Act provides for protected pension ages for members who meet entitlement conditions. The government will need to change the LGPS rules to align with the NMPA at some point on or before 6 April 2028. It will also need to consider whether LGPS members who qualify for protection will be allowed to receive payment before 57. We will provide more information when the intended changes to the LGPS are known.

McCloud Judgement

When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older scheme members were introduced. Similar protections were provided in other public sector pension schemes. The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all of the main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment'.

McCloud remedy regulations to remove the discrimination from the LGPS are expected in October 2023. This means it has not been possible to reflect the impact of the judgment in your annual benefit statement this year. If you qualify for protection, it will apply automatically - **you do not need to make a claim**. For more information, see the member factsheet at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1146603/LGPS_McCloud_factsheet.pdf

Changes to Pension Tax Rules

The contributions you pay to the LGPS are tax-free up to certain limits. You may have to pay tax if your pension savings are more than those limits. The Government has recently made changes to these limits:

- The annual allowance has increased from £40,000 to £60,000 from 6 April 2023.
- No-one will pay a lifetime allowance charge from 6 April 2023.
- The money purchase and tapered annual allowance limits have also changed.

Annual Allowance

The annual allowance is the amount your pension savings can increase by in a year without you having to pay extra tax. If your savings increase by more than the annual allowance, you will have to pay tax on the excess. If you have exceeded the Annual Allowance in the Durham County Council Pension Fund we will write to you separately, on or before 6 October.

Lifetime Allowance

The Government has recently announced that no-one will pay a lifetime allowance tax charge from 6 April 2023. If a tax charge arose before this date, it is still payable. The lifetime allowance will be abolished completely from 6 April 2024.

Before 6 April 2023, if the value of your pension benefits when you took them was more than the lifetime allowance, or more than any protections you held, you had to pay tax on the excess benefits. This did not include any state pension, state pension credit or any partner's or dependant's pension you are entitled to.

Change in the Annual Revaluation Date

The Government recently announced that the Annual Revaluation date for Career Average Earnings CARE benefits within the Scheme will change from 1st to 6th April each year.

Previously, on 1 April each year, pension accounts in respect of any pension benefits built up after 1 April 2014 (your CARE Pension) were revalued in line with Consumer Price Indexing (CPI). The LGPS Regulations are being amended to change the revaluation date of pension accounts to 6 April each year.

Further information on the consultation and decision can be found at

<https://www.gov.uk/government/consultations/annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps>

Nomination Form

The Pension Fund has discretion over who receives any lump sum death grant in the event of your death. To let us know who you would like any death grant to be paid to, please remember to keep your Nomination Form up to date. You can view and update your nomination details at any time via the member portal at www.durham.gov.uk/pensionsonline

LGPS Videos - Pensions Made Simple

The Local Government Authority (LGA) have developed a series of short, easy to understand videos explaining various elements of the LGPS. Links to the videos can be found within the Pensions Online portal or, directly at www.lgpsmember.org/more/videos

Beware of Pensions Fraud

If you are considering leaving the Scheme to transfer your LGPS benefits you need to guard against Pension Liberation Fraud (also known as Pension Scams).

Anyone can be the victim of a pension scam, no matter how financially aware they think they are. It's important that everyone can spot the warning signs. Scammers try to persuade pension savers to transfer their entire pension savings, or to release funds from it, by making promises they have no intention of keeping. The pension money is often invested in unusual, high risk investments.

Many scammers can also persuade savers to transfer their money into single member occupational schemes, or other occupational pension schemes. Scammers will sometimes promise savers early access to their pension pot through loans or 'loopholes'. Savers could lose all their money and face a high tax bill from HM Revenue and Customs (HMRC) if they withdraw their pension savings before the age of 55.

All pension savers should speak to an independent adviser authorised by the Financial Conduct Authority (FCA) before making a transfer. In the LGPS you may be required to do so. Please read the Pensions Regulator's booklet to find out more, available online at the following link: <https://www.thepensionsregulator.gov.uk/en/pension-scams>

County Durham – Help with your money

At a time of rising mortgage and other household costs for many of us, you can find financial help and support information online at <https://www.durham.gov.uk/helpwithyourmoney>

General Data Protection Regulation

The Durham County Council Pension Fund is a Data Controller under the General Data Protection Regulation (GDPR). This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration

services. To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from the Fund, a copy of our corporate privacy statement is available at www.durham.gov.uk/dataprivacy