

Dear

## Local Government Pension Scheme Retirement Benefits

I write to inform you that on your retirement from your employment with the City of London Corporation on \*\*\*\* you will become entitled to the following pension benefits:-

Annual Pension	£ ****
Lump Sum Retirement Grant	£ ****

*This includes £\*. \*\* Underpin Final Guarantee amount*

## McCloud Judgment

Following the age discrimination case commonly known as McCloud, your pension has been tested to see if you are affected by the judgment. If you are entitled to extra pension, this is shown as an 'Underpin Final Guarantee Amount' on your letter and is included in the annual pension figure[s] shown. **Please note that very few members are affected.**

Please be aware that any 'Underpin Final Guarantee Amount' shown will be paid if you take your pension straight away. If you take your pension later, the 'Underpin Final Guarantee Amount' may be higher, lower or may not apply. The final amount depends on a number of factors including your age when you retire.

You can find out more about the judgment by reading the [McCloud member factsheet / McCloud pages of our website / the McCloud pages of the national LGPS member website (England and Wales: [www.lgpsmember.org/mccloud-remedy/](http://www.lgpsmember.org/mccloud-remedy/)).

## Calculation of Final Salary Pension benefits

Your pension benefits up to 31 March 2014 are based on your membership and your final pay on leaving. Your final pay is usually the pensionable pay in respect of your final year of scheme membership or one of the two previous years' if this is higher. If you were working part-time your final pay is the pay that you would have received had you worked whole-time.

These benefits have been calculated using a pensionable pay of £\*\*. This relates to the period \*\*\*\* to \*\*\*\*\* and is the highest of the final three years.

If your pay was reduced or increases to your pay were restricted in your last 10 years of continuous employment because you downgraded or moved to a job with less responsibility, or as a result of a job evaluation/equal pay exercise, or because of a change to what is specified as pensionable pay in your contract **you have the option**

**to have your final pay calculated as the average of any 3 consecutive years' pay in the last 13 years** (ending on a 31 March). If you wish to take up this option please notify me in writing immediately.

Your benefits are increased in the line with the cost of living, both while they are preserved, and after they come into payment. Where a previous year's pay has been used these increases apply from the end of the pay period used.

If you receive arrears of salary after leaving the LGPS (e.g. due to a backdated pay award or a bonus paid in respect of an earlier period) your pension benefits will be re-calculated accordingly; where a previous year's pay has been used to calculate your pension benefits the re-calculation may result in the final year being higher and consequently pension increases will apply from a later date. **As a result there may be a reduction in the pensions increase amount and a reduction to the total pension benefit payable.**

### **Calculation of Career Average Revalued Earnings (CARE) benefits**

From 1 April 2014 your pension is calculated each year by taking 1/49<sup>th</sup> of your pensionable pay in that year and adding it to your Pension Account. The amount of pension in your Pension Account at the end of each scheme year will be adjusted in line with the cost of living.

### **Exchanging annual pension for lump sum**

You have an option to convert some of your annual pension to provide for a larger lump sum. For every £1.00 of annual pension converted, you would receive an additional lump sum of £12.00.

The amount you are allowed to convert is limited by HM Revenues and Customs. The maximum pension available for conversion in your case is £\*\*, which would provide you with an additional lump sum of £\*\*.

You can choose to convert any amount of pension up to the maximum amount shown above. The options available to you are detailed on the attached 'Lump Sum Option form 1'. Should you elect to convert pension to provide for a larger lump sum but wish to convert an amount less than the permitted maximum you should select Option 3 and specify the amount of additional lump sum you wish to receive.

### **Prudential AVC**

If you elect to convert the maximum pension, as shown above, you will not be able to take your entire Prudential AVC fund as tax free cash. Prudential have informed me that the estimated value of your AVC fund is £\*\*\*.

You have several options regarding your AVC fund which I have set out below:

- You can purchase an annuity from Prudential – if you are interested in this option please contact me as soon as possible and I will request a formal quotation.
- You can purchase an annuity on the ‘open market’ which means that you can purchase an annuity from any insurance company of your choosing.
- You can purchase an annual pension from the Local Government Pension Scheme, the details of which are provided below:
  - Should you wish to purchase pension for yourself only the amount of annual pension payable would be £\*\*\*.
  - Should you wish to provide for dependents benefits also the amount of annual pension payable would be £\*\*\*. In the event of your death your spouse would receive 37.5% of the annual pension purchased i.e. £\*\*\* per annum.

The annual pension figures quoted above would be increased each year in line with the consumer price index.

- You can elect to receive a tax-free lump sum of £\*\*\*
- Transfer you AVC to another pension arrangement.

The Government has introduced legislation to ensure individuals are aware of Pensions Wise guidance when taking Defined Contribution savings – in this instance your **Prudential/Standard Life/Utmost** AVC. The aim is to protect people by helping them make informed decisions. Enclosed are details on getting guidance about your AVC options and we will need you to return the declaration on whether you have received advice from Pension Wise or opted out of getting advice before we can pay your AVC benefits

Please complete the attached form to advise me which of the above options you wish to take regarding your AVC fund.

### **Exchanging annual pension for lump sum**

As mentioned previously, you have an option to convert some of your pension into extra lump sum retirement grant.

If you wish to take your entire AVC fund as tax free cash the maximum you would be permitted to convert is £\*\*\* which would then provide you with an additional lump sum retirement grant of £\*\*\*.

You can choose to convert any amount of pension up to the maximum amount shown above. The options available, assuming you wish to take your entire AVC fund as tax free cash, are detailed on the attached 'Lump Sum Option Form 2'. Should you elect to convert pension to provide for a larger lump sum but wish to convert an amount less than the permitted maximum you should select Option 3 and specify the amount of additional lump sum you wish to receive.

Should you wish to discuss this matter please do not hesitate to contact .....

Yours sincerely

City of London  
Local Government Pension Scheme

Lump Sum Option Form 1

***NB Only complete this form if you are not going to take your AVC fund as tax free cash***

**Option 1- Maximum Permitted Pension Converted to Lump Sum**

An annual pension of £\*\*\*  
Plus a tax free Lump Sum of £\*\*\*

**Option 2- Standard Pension Benefits**

An annual pension of £\*\*\*  
Plus a tax free Lump Sum of £\*\*\*

**Option 3- Pension Converted to Lump Sum**

Please state the amount of lump sum required  
between £\*\*\* and £\*\*\*. £ \_\_\_\_\_

**I wish to take my benefits as shown in Option \_\_\_\_\_ (please state which number option you wish to take). I understand this decision is final and cannot be revoked.**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Full  
Name: \_\_\_\_\_

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City of London  
Local Government Pension Scheme

Lump Sum Option Form 2

***NB Only complete this if you are planning to take your  
AVC fund as tax free cash***

**Option 1- Maximum Permitted Pension Converted to Lump Sum**

An annual pension of £ \*  
Plus a tax free Lump Sum of £ \*

**Option 2- Standard Pension Benefits**

An annual pension of £ \*  
Plus a tax free Lump Sum of £ \*

**Option 3- Pension Converted to Lump Sum**

Please state the amount of lump sum required  
between £ \* and £ \*. £ \_\_\_\_\_

*\*Includes estimated AVC fund value*

**I wish to take my benefits as shown in Option \_\_\_\_\_ (please state  
which number option you wish to take). I understand this decision is  
final and cannot be revoked.**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Full

Name: \_\_\_\_\_

PG/PENSIONS/.....