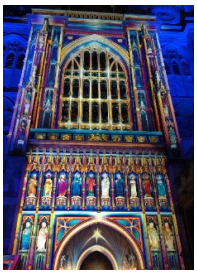
THE CHURCH OF ENGLAND
PENSIONS BOARD



Pension Builder Classic overview

This leaflet is for members of the Pension Builder Classic (PB Classic) section of the Church Workers Pension Fund (CWPF). It explains:

- what happens to your contributions,
- how discretionary pension increases work, and,
- what your options are at retirement.

What happens to your contributions?

Each month we convert the contributions your employer pays, plus any contributions you pay into a guaranteed amount of pension, payable for life from your Normal Pension Age (NPA).

The amount of pension your contributions buy depends on your age at the beginning of each year. Here is what £100 currently buys at a range of ages.

Age at the beginning of the year	Amount of pension
20	£6.70 pa
30	£6.20 pa
40	£5.60 pa
50	£5.20 pa
60	£4.70 pa
65	£4.50 pa

These figures are based on current “conversion factors”, which are the factors we use to turn your contributions into pension. We review these at least every 3 years, and we may increase or decrease them in the future.

We invest contributions to provide your pension. You may notice that the amount of pension you buy reduces as you get older. This is because we have less time to earn investment returns before you retire.

Your pension is payable from your NPA. Your employer chooses your NPA, but this is usually age 65. If you retire before your NPA we reduce your pension as we are likely to pay it for longer. We also increase your pension if you retire after your NPA as we will pay it for a shorter period of time.

You buy pension in the same way if you pay Additional Voluntary Contributions (AVCs).

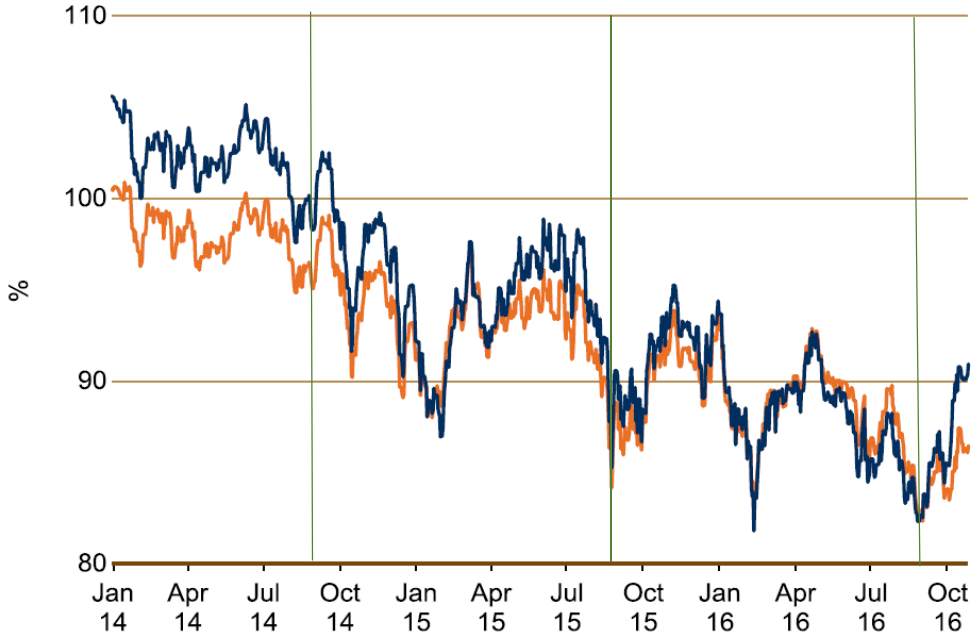
How discretionary pension increases work

At the end of each year we aim to add a discretionary increase or "bonus" to your pension. We look at the financial position of the scheme when we decide whether we can declare a bonus but once added, we guarantee the bonus in the same way as the pension you buy with your contributions.

When deciding whether we can afford to add a discretionary increase, our policy is to look at the "security funding level" of the scheme each September.

- If the security funding level reaches 105% we will consider adding a discretionary increase of 1% (or RPI if this is less)
- If the security funding level reaches 110% we will consider adding a discretionary increase of RPI (up to 5%)

Here is a chart showing the security funding level (the dark blue line) since January 2014. The vertical green lines show the security funding level at each September during this period.



We have been unable to add a discretionary increase since 2011. Here are the discretionary increases over the last 10 years.

Year	Discretionary increase
2007	0%
2008	0%
2009	0%
2010	**2%**
2011	**2%**
2012	0%
2013	0%
2014	0%
2015	0%
2016	0%

With the benefit of hindsight, past conversion factors have been too generous. This means that the overall cost of guaranteeing your pension has proved more expensive than we expected due to falling interest rates and longer life expectancy. This has kept the security funding level below 105% and meant that it has not been possible to add many discretionary increases over the last 10 years.

If the conversion factors had been less generous in the past, then your guaranteed pension now would be lower but we would probably have been able to pay some additional discretionary increases by declaring bonuses.

Our long term aim is for the security funding level to be at least 105% so we can add discretionary increases each year but at present we do not expect to be able to do that for some time.

What are your options at retirement?

When you retire, you can take your pension with us and it will be payable for life. Your pension will increase in payment depending on when you earned it. This table shows how we will increase your pension in payment.

When you earned your pension	Increase (p.a.)
Before April 1997	Discretionarily increases only
Between April 1997 and March 2006	Retail Prices Index up to 5%
From April 2006	Retail Prices Index up to 2.5%

You can exchange part of your pension for a tax-free lump sum. You can also exchange pension to provide a continuing pension for your husband, wife, civil partner or dependent after your death.

You do not have to take your pension with us. You can transfer the value of your pension to another scheme but you must take financial advice first if your transfer value is over £30,000. A new provider may offer you more flexibility, but you should consider the guarantees (guaranteed pension increases and potential benefits for your dependents when you die) you would be giving up and the cost and tax implications options carefully.

We will tell you more about your choices as you approach retirement but we are happy to answer your questions at any time.

If you have any queries please contact us. We are always happy to help.

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