Church Workers Pension Fund

Defined Benefits Scheme Members' Guide

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1. Introduction

The Church Workers Pension Fund (the "Fund") was established in 1953. It aims to offer a pension fund to any staff who are not ordained but are working in employment associated with the Church of England.

The Fund has two sections:

The Church of England Defined Benefits Scheme – for final salary arrangements

The Church of England Pension Builder Scheme – for two hybrid pension arrangements:

- Pension Builder Classic
- Pension Builder 2014

This booklet gives details of the Church of England Defined Benefits Scheme ("the Scheme").

The **"Scheme Summary"** sheet provided with this booklet gives you specific information on the contributions and benefit structure adopted by your employer.

Do make sure you understand the provisions available to you before considering any alternative pension arrangement.

If you have any questions about the Scheme, or the benefits available to you, please contact your employer, or contact us.

2. Glossary of terms

Certain words and phrases are used in this booklet and enclosed leaflets that have special meanings. These are defined below:

Trustee	The Church of England Pensions Board
Scheme Summary	A summary of the particular benefits provided by an employer using the Scheme, for the provision of pensions for his employees.
Pensionable Salary	Your annual salary, as advised to the Pensions Board by your employer.
Scheme Review Date	This is the date on which contributions are adjusted in line with current salaries.
Pensionable Service	Service with the employer as a member of the Scheme, measured in years and days.
Final Pensionable Salary	Your Pensionable Salary received in the last year before you leave service or die.
S2P	State Second Pension introduced in 2002. S2P and SERPS (see below) are payable in addition to the Basic State Pension.
SERPS	State Earnings Related Pension Scheme, replaced by S2P in 2002.
Contracting Out	If an employer's section has been arranged so that the equivalent of the SERPS (or S2P) pension is provided by the Scheme, rather than the State, it is said to be "contracted out". A scheme can only be contracted out if it provides benefits which are broadly equivalent to, or better than, a statutory standard. Contracting out ended on 5 April 2016

3. Membership of the Scheme

3.1. Joining the scheme

You may be automatically enrolled when you start employment. You do not need to complete an application form. If you are not automatically enrolled you may join, with your employer's agreement, by completing an 'opt in' notice and returning it to your employer.

3.2. Opting out

You can opt out - contact the Pensions Board and ask for an 'opt out' notice. It may be possible to re-join later if your employer and the Pensions Board agree.

3.3. Contributions

It will depend on your employer whether you are required to contribute. You should check the Scheme Summary.

Some employers have a *non-contributory* scheme, which means that you are not obliged to make any payments. Your employer meets the whole cost. Other employers have a *contributory* scheme, whereby you are asked to pay a share of the cost by regular deductions from your earnings. Such deductions are made before income tax, so you receive tax relief on your contributions.

3.4. Voluntary contributions

You can increase your benefits from the Scheme by making Additional Voluntary Contributions (AVCs) to buy extra retirement pension and save tax at the same time.

Your AVCs will be invested in the Pension Builder Classic section of the Church Workers Pension Fund.

We will reduce the AVC pension payable to your spouse or civil partner in the event of your death if your spouse or civil partner is more than 10 years younger than you.

3.5. Transfers in

The Pensions Board does not accept transfers from other pension schemes.

4. Scheme benefits

4.1. Pension Age

This is the age at which the Scheme would *normally* expect you to retire and is when you can expect to receive the amount of pension indicated on the annual statement which we give you.

Your Pension Age is not necessarily the same as the age to which you have the right to continue working under your contract of employment.

4.2. Pension

Your employer decides on what basis the pension benefits will be worked out. For example, you may build up $1/60^{th}$, $1/80^{th}$ or $1/100^{th}$ of your final pensionable salary for each year of service. Such arrangements are sometimes referred to as “final salary” schemes. The formula that applies in your case is shown in the Scheme Summary.

Example

In a section where the pension fraction is $1/80^{th}$, your pension is calculated as:

$1/80^{th}$ x final pensionable salary x pensionable service

If you retire at age 65 after 20 years’ pensionable service and your final pensionable salary is £24,000 pa, your pension is:

$1/80^{th}$ x £24,000 x 20 = £6,000 pa

Using a similar approach, but with different fractions of final salary, it will be seen that:

20 years service in a:	Gives you an annual retirement income of:	
$1/60^{th}$ scheme	One-third	}
$1/80^{th}$ scheme	One-quarter	}of your final pensionable salary
$1/100^{th}$ scheme	One-fifth	}

4.3. Part-time employment

In the case of part-time employees, both pensionable service and final pensionable salary are converted to their full-time equivalents. In this way, credit is given for each period of part-time service.

Example

In a 1/80th scheme, a member works half-time for 10 years, followed by 8 years of three-quarters time, and retires with a final (part-time) salary of £18,000. The calculation will be:

Full-time equivalent service = 10 x ½ + 8 x ¾ = 11 years

Full-time equivalent final pensionable salary = £18,000 x 4/3 = £24,000

Pension = 1/80 x £24,000 x 11 = £3,300 pa

4.4. Pension increases

Pensions in payment increase with effect from 1 January each year.

- Pensions arising from service before 1 April 2006 are guaranteed to increase in line with the rise in the Retail Prices Index over the preceding year, to a maximum of 5%
- Pensions arising from service from 1 April 2006 onwards are guaranteed to increase in line with the rise in the Retail Prices Index over the preceding year, to a maximum of 2.5% (except that some employers have chosen to maintain the 5% maximum – check your Scheme Summary for details)

The first increase following your retirement will be pro-rata to the full year increase, based on the number of complete months between your retirement date and 31 December.

4.5. Payment of pension

It is helpful if we have 6 months' notice of your intention retire. We will send you an application form and tell you about the options available.

Your pension is payable for life in instalments at the end of each month. We are obliged to deduct tax from your retirement income under the PAYE system, and we operate the allowances notified to us by our tax office in the same way as your employer applies PAYE to your earnings.

4.6. Cash option

When you retire, you will usually be able to exchange part of your pension for a cash sum which is tax-free, subject to HM Revenue and Customs limits. The amount of annual pension which you need to give up in order to receive the cash sum varies according to the age at which you retire.

4.7. Optional pension for a dependant

You can also give up part of your pension to provide a pension after your death for someone who is financially dependent upon you. There may already be provision for a spouse or civil partner under the terms of your scheme; if so, you could increase the amount of that pension or make further provision for another dependant.

4.8. Retiring early

If you choose to retire early (ie before your Pension Age) you may be able to take a reduced pension at any time after age 55. The amount of pension will be less since it is commencing earlier and because of the expectation that it will be paid for longer.

If you are obliged to retire early because of permanent incapacity for work, whether by reason of disablement or serious ill-health, you can receive immediate payment of a pension at any age, provided your employer agrees and satisfactory medical evidence is provided. The benefits on ill-health retirement vary depending on your employer; the applicable details can be found in the Scheme Summary.

If you have been contracted out, it may not be possible to take an immediate early retirement pension, or the benefits may have to be restricted. This is most likely to apply if you are much younger than your Pension Age (see the section on Contracting Out).

4.9. Late retirement

If you continue to work after Pension Age, you will continue to be an active member. The payment of your pension would be postponed until you retire and the period of service counts towards the calculation of your pension.

If you would like a quotation for either early or late retirement please contact the Pensions Board staff for further information

5. Benefits payable on death

5.1. Lump sum

If you die before retirement whilst you are in pensionable service and a member of the Scheme, a lump sum would be payable. The lump sum is a multiple of your final pensionable salary. Check your Scheme Summary for details of the multiple that applies in your case.

The Trustee has discretion as to whom this lump sum is paid. To assist the Pensions Board you may indicate how you wish the money to be paid by completing a nomination form. A nomination may be made or amended at any time.

5.2. An income for your spouse or civil partner

In the event of your death *before* retirement, your spouse or civil partner would receive a pension for life of at least half the amount of your pension earned to the date of your death. For full details of your death in service entitlement please see your Scheme Summary.

Most, but not all, of the employer's sections also provide an income for a spouse or civil partner on death after retirement – see your Scheme Summary for details.

If you have paid AVCs, the AVC pension payable to your spouse or civil partner will be reduced if they are more than 10 years younger than you.

5.3. Guarantee

All retirement pensions are payable for life. However, we guarantee that, if you die within five years of retirement, a lump sum equal to the pension that would have been paid for the remainder of the five-year period will be paid.

Note:

IT IS IMPORTANT TO BE CLEAR ON THE BENEFITS AVAILABLE IN THE EVENT OF YOUR DEATH. CHECK YOUR SCHEME SUMMARY FOR THE BENEFITS WHICH APPLY IN YOUR CASE

6. Benefits on Leaving Service before Pension Age

The way in which your benefits are treated when you leave service depends on whether you have completed a minimum period of two years since becoming a member. If you have transferred in, or you have a previous deferred entitlement, this will automatically count as having completed the minimum period.

6.1. Within 2 years

If you leave before completing two years as a member of the Scheme, you will receive a refund of any contributions you have made, less a 20% tax deduction[1].

As an alternative, provided you have at least 3 months' service, you may take a cash equivalent value transfer value (CETV) to another pension arrangement. The CETV can be paid to another employer's scheme or to a stakeholder or personal pension and would be based on the value of the benefits you have built up. This means that it is likely to be greater than any refund of your own contributions. You must inform the Board within three months of leaving service that you wish to exercise this option, and the transfer must be completed within 6 months of leaving service.

You will have no rights retained with the Scheme.

6.2. After 2 years

If you have completed at least two years as a member of the Scheme by the time you leave, you cannot have a cash repayment of your contributions.

Your benefits would normally remain in the Scheme to provide you with a pension when you reach Pension Age. At that time, you may be able to exchange part of your pension for a tax-free cash sum (see Section 4.6).

Your deferred pension on leaving is calculated in the same way as the retirement pension but based on your service up to the date of leaving. It will increase between leaving employment and your Pension Age in line with statutory Orders as follows:

- The Guaranteed Minimum Pension element (if any – see Section 7) will increase roughly in line with increases in national average earnings;

[1] The tax charge is 50% on any amount of refunded contributions over £20,000

- The remainder will increase in line with price inflation[2]:
    - In respect of benefits earned prior to 6 April 2009 the increase will be in line with prices up to 5% pa over the period of deferment
    - In respect of benefits earned from 6 April 2009 onwards the increase will be in line with prices up to 2.5% pa over the period of deferment.

If you die after leaving service, but before the pension comes into payment, then your spouse or civil partner would receive a pension of half the amount of your deferred pension. No lump sum would be payable.

6.3. Transferring out

To Another Employer's Scheme

If you are leaving to take up other employment, you could consider transferring the value of your benefits into your new employer's scheme.

Contact us for full details when you are ready to think about this. We will then quote the CETV which your employer can convert into extra benefits for you in the new scheme. Different pension schemes have different rules and regulations, and it can often be quite difficult to make a fair comparison.

To a Stakeholder or Personal Pension Arrangement

As another alternative to leaving your benefits in the Scheme, you can ask us to pay the cash value of your benefits into a stakeholder or personal pension arrangement with an insurance company or other provider. The pension payable at retirement would then depend on:

- the charges of the scheme,
- the investment return achieved,
- the rate at which you can exchange your fund at retirement for an annuity (a pension payable for life).

The benefits could be greater or less than in the Scheme.

6.4. Cash Equivalent Transfer Value (CETV)

If you wish to consider a transfer out of the Scheme you should request the Trustee to provide you with a CETV. The CETV will be guaranteed for three months from the date on which it is calculated.

The CETV is calculated in accordance with factors provided by the Scheme's actuary which comply with legislative requirements. It will represent the value of the deferred benefits which would otherwise remain preserved for you in the Scheme.

[2] Price inflation was measured by the Retail Prices Index prior to 2010, when it changed to the Consumer Prices Index

The calculation includes allowance for increases to your deferred pension, including the guaranteed increases which are given when the pension commences. No allowance is made for discretionary increases to pensions in payment which could become payable in future.

You should not feel hurried into deciding. You can leave your benefits in the Scheme if you wish, and you still have the right to ask for a transfer to be made at any time up to one year before your Pension Age. It is sometimes easier to judge the best course of action a few years after changing employment or adapting to other new circumstances.

7. State Pensions and National Insurance

7.1. Basic State Pension

The Basic State Pension is usually payable from State Pension Age in addition to your Scheme pension.

Details of eligibility, amounts, options and how to obtain forecasts are available from the Department for Work and Pensions or online from the *Pensions and retirement planning* section of the www.gov.uk website.

7.2. State Second Pension and State Earnings Related Pension Scheme

The government set up an additional pension scheme for employees in April 1978, but it was possible for employers which provided an occupational pension scheme to “contract out” of that arrangement. This meant that members did not earn entitlement to the additional State pension because their employer’s pension scheme provided greater benefits. The additional State scheme was originally called the State Earnings Related Pension Scheme (SERPS) and was replaced by the State Second Pension (S2P) from 6 April 2002. Contracting out ended on 5 April 2016

7.3. Contracting out of SERPS

Your employer’s section of the Scheme may be arranged in such a way that a pension is paid from the Scheme instead of SERPS and/or S2P. This is known as “contracting out” and your Scheme Summary will say whether your employer’s section was contracted out. The way in which your contracted-out service is treated depends on the period to which it relates:

- In respect of contracted out service from 6 April 1978 to 5 April 1997 (if any) you will become entitled to “Guaranteed Minimum Pension” (GMP) as part of your pension from the scheme. Your GMP will be approximately the same as the SERPS pension you would have received if you had not been contracted out. Your spouse will also be provided with a pension in place of SERPS after your death. (If this applies to you, it may not be possible to take an early retirement pension if that pension is less than your GMP.)
- In respect of contracted out service from 6 April 1997 to 5 April 2016, a scheme has to meet a statutory standard, and provide benefits which are broadly equivalent to or better than that standard. Employers’ contracted out sections within the Scheme provide benefits which are more than enough to meet the test.

Saving on National Insurance

In a contracted-out scheme, both you and your employer pay lower NI contributions. Full details of the contributions you pay can be obtained from your employer.

7.4. State Pension forecasts

It is possible to obtain a State pension forecast by contacting:

Newcastle Pension Centre, Futures Group
The Pension Service 9
Mail Handling Site A
Wolverhampton
Great Britain
WV98 1LU
Tel. No: 0800 731 0175 (Monday to Friday from 8am to 8pm)

You can also apply for a forecast online in the State Pension Section of www.gov.uk. The website has a lot of useful additional information.

7.5. State Pension Age

A State retirement pension cannot be paid before State Pension Age, which is 65 for men born before 6 April 1959 and 60 for women born before 6th April 1950. State Pension Ages have now been changed so that:

- For women born between 5 April 1950 and 6 April 1955, the State Pension Age increases from 60 to 65 on a fixed scale.
- for both men and women born after 5 April 1959, the State Pension Age increases from 65 to 68 on a fixed scale.

If you request a forecast of State pension benefits, the forecast will confirm your State Pension Age. Alternatively, a State Pension Age calculator is available on the www.gov.uk website.

State pension can be paid from these ages even if you are still in work. If you choose to delay payment of your State pension because you are still working, the rate of State pension eventually payable will be increased to allow for the period of deferment or it may be possible for you to take the amount of deferred State pension as a lump sum.

State Pension Ages may be amended again, and details of any future changes will be outlined on the www.gov.uk website when they become law.

8. Benefit limits

8.1. Introduction

The benefits you earn in the Scheme are subject to limits that are set out in tax legislation and in regulations and guidance issued by HM Revenue and Customs (HMRC).

8.2. Lifetime Allowance

The Lifetime Allowance is the maximum value of retirement benefits that you can build up tax-efficiently during your working lifetime. For 2020/21 the Lifetime Allowance is £1,073,100.

HMRC requires the Board to test whether the value of your Scheme benefits and any other pensions in payment exceed the Lifetime Allowance when you retire. It is highly unlikely that the limit will apply to our members, but the Board is required to complete the check before benefits can be paid.

You will be asked for details of any other pension benefits that will have come into payment before or at the same time as your benefits from the Scheme. Your State pension benefits are not included in the calculation.

If the value of your pension benefits exceeds the Lifetime Allowance, any excess due from the Scheme will be paid as a lump sum and will be subject to a tax charge which is currently 55%. This tax charge will be deducted by the Board before making the payment to you.

8.3. Annual Allowance

The Annual Allowance is an extra control that applies to the amount by which your pension increases in value each year – this is known as the 'pension input amount'. The Annual Allowance is £40,000 in the tax year 2020/21, unless you are a "high earner"[3].

The pension input amount that applies to your Scheme benefits is the increase in value of your benefits during the "pension input period". If you pay AVCs, the amount of your contribution is added to the increase in the value of your benefits. The pension input period that applies to the Scheme is the same as the tax year.

If the pension input amount exceeds the Annual Allowance, then a tax charge may apply, although it is usually possible for unused Annual Allowance from the previous three years to be used to reduce or eliminate the charge. The Board will inform affected members if the pension input amount from the Scheme exceeds the Annual Allowance.

[3] If your income from all sources is £240,000 p.a. or more your Annual Allowance may be less.

Members are now able to pay contributions to more than one approved pension scheme and if you are a member of more than one scheme, the combined value of the pension input amounts to each scheme is subject to the Annual Allowance. It is your responsibility to report to HMRC if you think you have exceeded the Annual Allowance.

9. Complaints and Disputes

9.1. Making a Complaint

This section sets out the arrangements if you feel that you want to make a complaint about some aspect of the Board's administration and what to do if you want to take the matter further.

Your first point of contact should be the staff at the Board who are always available to help. It is hoped that no problems will arise which cannot be resolved in discussion with the staff but, in accordance with the requirements of the 1995 Pensions Act, a formal dispute procedure is available.

9.2. Dispute Procedure

If you are dissatisfied with anything to do with the pension arrangements, you should contact:

The Secretary & Chief Executive
The Church of England Pensions Board
29 Great Smith Street
London
SW1P 3PS

If the matter is not resolved to your satisfaction you should ask for a 'formal complaint form', which will be sent to you within seven days of your request. You will receive a response within two months of receipt of your complaint form, or a letter explaining the delay. If you are not satisfied with the response you will be able to raise the matter with the Board itself.

9.3. The Pension Advisory Service and the Pensions Ombudsman

In the event of a dispute which cannot be resolved with the Board you may contact The Pension Advisory Service (TPAS).

A Pensions Ombudsman was appointed following the Social Security Act 1990, but before applying to the Ombudsman, complainants are requested to contact TPAS to see whether the matter can be resolved informally. Both TPAS and the Pensions Ombudsman are located at:

11 Belgrave Road
London
SW1V 1RB
Websites: www.pensionsadvisoryservice.org.uk
www.pensions-ombudsman.org.uk

10. Further Information

10.1. Personal Illustrations and Specific Information

The Board will forward a benefit statement to you each year that provides an indication of the benefits payable at Pension Age or in the event of your death.

If you require more specific information, e.g. an illustration of the benefits payable on early or late retirement, please contact the Board.

10.2. Report and Accounts

The Board presents a report on its work to General Synod each year and copies are available online to download, or on request. The report includes:

- a progress report on the pensions schemes it administers, and,
- the audited accounts of the schemes

10.3. Actuarial Information

The financial position of the Scheme is examined periodically to ensure that it will be able to provide the promised benefits when they become due.

The Board will send you a Summary Funding Statement each year. This is a summary of the actuarial position of the Church Workers Pension Fund at the end of the previous scheme year.

A full actuarial valuation of the Church Workers Pension Fund is carried out by the Scheme Actuary every three years. Copies of the valuation report and the Statement of Funding Principles are available on request.

10.4. Investment Information

The Board is responsible for the investment of the contributions received each year and the existing funds under management. A description of the investment strategy followed by the Board (the Statement of Investment Principles) is available on request.

10.5. Scheme Rules and Regulations

Copies of the rules of the Church Workers Pension Fund are available on request.

Every effort has been made to ensure that this booklet has included details of the benefits provided by the Scheme in as simple a style as possible. However, the booklet does not override the Rules – the legal document governing the administration of the Fund.

10.6. Other Information

The Board also provides other information such as a detailed description of the facility to pay Additional Voluntary Contributions (AVCs). Leaflets covering issues such as pensions on divorce are also available on request.

10.7. Pension Tracing Service

The Department for Work and Pensions operates a tracing service which can help former members contact pension schemes with which they have lost touch. Their address is:

The Pension Service 9	
Mail Handling Site A	Tel: 0800 731 0193
Wolverhampton	
WV98 1LU	Website: www.gov.uk/find-pension-contact-details

10.8. Data Protection

The Board has to keep information about you and your dependants for the purposes of managing the Scheme. The Board may have to disclose this information to other people (such as their professional advisers) from time to time. This information will, however, only be used for the purposes of the Scheme and will not be used for any other purposes.

10.9. Regulation

CEFPS is regulated by The Pensions Regulator (TPR) which is empowered to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties. TPR's contact details are:

The Pensions Regulator	
Napier House	Tel: 0870 6063636
Trafalgar Place	
Brighton	Email: customersupport@thepensionsregulator.gov.uk
East Sussex	Website: www.thepensionsregulator.gov.uk
BN1 4DW	

10.10. Finance Act 2004

The Church Workers Pension Fund is a registered scheme for the purposes of the Finance Act 2004.