

Appendix A – Current Benefits

All retirement benefits are based on the previous year's National Minimum Stipend (NMS) which for benefits from 1 April 2022 is £25,265. This is the NMS used to produce the following figures.

Maximum Pension for Members who Completed Maximum Pensionable Service Before 1 January 2010

The following table gives the maximum pension payable on retirement at Pension Age (2022/2023 rates).

	Scheme Member's Pension
All clergy, deaconesses and licensed lay workers other than those mentioned below	£16,843
Archbishops of Canterbury and York	£33,686
Bishop of London	£30,317
Other diocesan bishops	£25,264
Suffragan bishops, deans, provosts and archdeacons	£21,054
Lump sum at retirement - all scheme members	£50,529

Maximum Pension for Members Joining From 1 January 2011

The following table gives the maximum pension payable on retirement at Pension Age (2022/2023 rates).

	Scheme Member's Pension
All clergy, deaconesses and licensed lay workers other than those mentioned below	£12,632
Archbishops of Canterbury and York	£25,265
Bishop of London	£22,737
Other diocesan bishops	£18,948
Suffragan bishops, deans, provosts and archdeacons	£15,632
Lump sum at retirement - all scheme members	£37,896

Changes to Maximum Pensions

The maximum pension payable by the Church scheme will reduce as a result of the rule changes that took effect from 1 January 2011. However, scheme members will earn additional benefits under the State Second Pension (S2P) from that point. The second table shows the maximum benefits in respect of members who commence service after 31 December 2010 and shows the benefits available after 41½ years of full-time pensionable service.

Many members will have pensionable service both before and after 1 January 2011. The maximum benefits payable for those members who can complete the maximum reckonable pensionable service will be somewhere between the two sets of figures shown above. Please contact the Board if you have any questions about this or if you would like an illustration of your benefits at a particular date.

Historic Maximum Benefit Figures

This is a record of the maximum pension payable under the rules that applied for the periods shown.

The maximum rates of basic pension and retirement lump sum have increased as follows:

With effect from -		Pension pa	Lump Sum
	1 April 2020	£16,513	£49,539
	1 April 2019	£16,187	£48,561
	1 April 2018	£15,876	£47,601
	1 April 2017	£15,626	£46,880
	1 April 2016	£15,500	£46,500
	1 April 2015	£15,193	£45,579
	1 April 2014	£14,893	£44,679
	1 April 2013	£14,600	£43,800
	1 April 2012	£14,247	£42,741
	1 April 2011	£13,620	£40,860
	1 April 2010	£13,486	£40,458

Death in Service Lump Sum

The death in service lump sum payable in respect of a full-time post in 2022/23 is £75,795.

Appendix B – Benefit Calculation Examples

All examples use a National Minimum Stipend of £25,265. This applies to benefits coming into payment during the scheme year from 1 April 2022 to 31 March 2023.

All figures have been rounded down to the nearest £1 and only whole years have been used in the examples for clarity. The calculation of actual benefits takes account of completed years and days.

1) Normal Retirement at Age 68

This example is for retirement of a member with total service of 36 years. The member completed 20 years service before 31 December 2010 and reaches normal pension age of 68 on 31 December 2026 – a further 16 years

Service Calculation

Service to 31/12/2007	=	17 years
Service from 01/01/2008 to 31/12/2010	=	3 years
Service from 01/01/2011 to age 68	=	16 years

Pension Calculation

						Member's Pension £ p.a.	Spouse's Pension £ p.a.
$\frac{17}{37}$	x	25265	x	$\frac{2}{3}$	=	7,738	5,159
$\frac{3}{40}$	x	25265	x	$\frac{2}{3}$	=	1,263	842
$\frac{16}{41.5}$	x	25265	x	$\frac{1}{2}$	=	4,870	3,246
Total Pension						13,871	9,247

Lump Sum Calculation

$\frac{17}{37}$	x	25265	x	$\frac{2}{3}$	x	3	=	£ 23,214
$\frac{3}{40}$	x	25265	x	$\frac{2}{3}$	x	3	=	3,789
$\frac{16}{41.5}$	x	25265	x	$\frac{1}{2}$	x	3	=	14,610
Total Lump Sum								41,613

2) Early Retirement

Retirement at Age 65

Using the same example but assuming the member decides to retire at 65, all benefits earned to 31 December 2010 can be taken at age 65 without reduction. The benefits earned from 1 January 2011 would be reduced for early payment at the rate of 3.5% p.a. in relation to the pension and 0.5% p.a. in relation to the lump sum.

To calculate the early retirement pension we would work out the pension in the same way as for normal retirement. The pension earned after 1 January 2011 would need to be reduced by 3.5% compound for each of the 3 years the benefit is being taken early which equals a reduction of 10.14%. The post 2010 pension is therefore multiplied by 89.86%.

The calculation of the lump sum is similar except that the post 2010 lump sum is reduced by 1.5% in total – 0.5% pa compound for each year taken early. The total lump sum is calculated and the post 2010 lump sum is therefore multiplied by 98.5%.

Service Calculation

Service to 31/12/2007	=	17 years
Service from 01/01/2008 to 31/12/2010	=	3 years
Service from 01/01/2011 to age 65	=	13 years

Pension Calculation

					Member's Pension £ p.a.	Spouse's Pension £ p.a.			
$\frac{17}{37}$	x	25265	x	$\frac{2}{3}$	=	7,738	5,159		
$\frac{3}{40}$	x	25265	x	$\frac{2}{3}$	=	1,263	842		
$\frac{13}{41.5}$	x	25265	x	$\frac{1}{2}$	x	89.86%	=	3,556	2,370
Total Pension					<u>12,557</u>	<u>8,371</u>			

Lump Sum Calculation

$\frac{17}{37}$	x	25265	x	$\frac{2}{3}$	x	3	=	£	23,214	
$\frac{3}{40}$	x	25265	x	$\frac{2}{3}$	x	3	=	3,789		
$\frac{13}{41.5}$	x	25265	x	$\frac{1}{2}$	x	3	x	98.5%	=	11,693
Total Lump Sum									<u>38,696</u>	

Retirement at Age 60

Using the same example but assuming the member decides to retire at 60, the benefits earned to 31 December 2010 (pre 2011) would be taken 5 years early. The benefits earned after 31 December 2010 (post 2011) would be taken 8 years early.

The pension earned to the date of retirement would be reduced for early payment at the rate of 3.5% p.a. compound. The lump sum would be reduced by 0.5% p.a. compound. So:

- the pre 2011 pension would be reduced by 16.32% - the pension before reduction would be multiplied by 83.68%. The pre 2011 lump sum would be reduced by 2.48% - the lump sum would therefore be multiplied by 97.52%
- The post 2011 pension would be taken 8 years early and would be reduced by 24.8% - the post 2011 pension would be multiplied by 75.2%. The post 2011 lump sum would be reduced by 3.94% - the post 2011 lump sum would therefore be multiplied by 96.06%

Service Calculation

Service to 31/12/2007	=	17 years
Service from 01/01/2008 to 31/12/2010	=	3 years
Service from 01/01/2011 to age 60	=	8 years

Pension Calculation

						Member's Pension £ p.a.	Spouse's Pension £ p.a.		
$\frac{17}{37}$	x	25265	x	$\frac{2}{3}$	x	83.68%	=	6,475	4,317
$\frac{3}{40}$	x	25265	x	$\frac{2}{3}$	x	83.68%	=	1,098	732
$\frac{8}{41.5}$	x	25265	x	$\frac{1}{2}$	x	75.20%	=	1,831	1,220
Total Pension							<u>9,404</u>		<u>6,269</u>

Lump Sum Calculation

$\frac{17}{37}$	x	25265	x	$\frac{2}{3}$	x	3	x	97.52%	=	£ 22,640
$\frac{3}{40}$	x	25265	x	$\frac{2}{3}$	x	3	x	97.52%	=	3,695
$\frac{8}{41.5}$	x	25265	x	$\frac{1}{2}$	x	3	x	96.06%	=	7,017
Total Lump Sum										<u>33,352</u>

3) Ill-Health Early Retirement

This illustration uses the same member details again but assumes that the member retires due to ill-health on 31 December 2013, three years after the new arrangements come into effect.

Service Calculation

Service to 31/12/2007	=	17 years
Service from 01/01/2008 to 31/12/2010	=	3 years
Service from 01/01/2011 to 31/12/2013	=	3 years
Total completed service	=	23 years
Future Service from 01/01/2014 to age 68	=	13 years
Total Potential Service to Age 68	=	36 years

The additional service granted would be based on the formula outlined in Section 6 Ill-Health Retirement. In this case:

$$A = 23$$

$$T = 36$$

$$P = 13$$

Therefore the additional enhanced service would be 8.31 years. Service from 01/01/2011 would be taken as 11.31 years to include the year of service completed from 01/01/2011 plus the enhancement.

Pension Calculation

				Member's Pension £ p.a.	Spouse's Pension £ p.a.		
$\frac{17}{37}$	x	25265	x	$\frac{2}{3}$	=	7,738	5,159
$\frac{3}{40}$	x	25265	x	$\frac{2}{3}$	=	1,263	842
$\frac{11.31}{41.5}$	x	25265	x	$\frac{1}{2}$	=	3,442	2,294
Total Pension				<u>12,443</u>	<u>8,295</u>		

Lump Sum Calculation

						£		
$\frac{17}{37}$	x	25265	x	$\frac{2}{3}$	x	3	=	23,214
$\frac{3}{40}$	x	25265	x	$\frac{2}{3}$	x	3	=	3,789
$\frac{11.31}{41.5}$	x	25265	x	$\frac{1}{2}$	x	3	=	10,382
Total Lump Sum							<u>37,385</u>	

4) Maximising Cash at Retirement by Exchanging Pension

This option is available to members at retirement. The example shown here relates to the member shown in Example 1 above - Normal Retirement at Age 68 – but this option is also available to members taking early or late retirement and to members who need to retire due to ill health.

If the member has not paid additional voluntary contributions (AVCs), the method would be as follows:

The maximum tax-free cash this member would be able to take is determined by HM Revenue & Customs (HMRC) rules. HMRC rules allow a member to take up to 25% of the value of their benefit as tax free cash. As the Schemes provide an automatic lump sum at retirement, the 25% limit would include that lump sum. HMRC value all pensions coming into payment at a standard rate of £20 for each £1 p.a. of pension.

HMRC value of benefits at retirement

Pension	13,871	x	20*	=	277,420
Automatic lump sum					41,613
Total value of retirement benefits					<u><u>319,033</u></u>

Maximum additional lump sum

Maximum including automatic lump sum	319,033	x	25%	=	79,758
Less automatic lump sum					41,613
Maximum additional lump sum					<u><u>38,145</u></u>

****This example uses a factor of 20. The factor used in your actual calculation may be different. Your lump sum may be higher or lower than this calculation.***

Reduction in pension

If the member wishes to give up the pension to take this maximum additional lump sum, the amount of the pension reduction will depend on the member's age. In this case, the figures would be:

	£ p.a.
Reduction in pension	2,000
Remaining pension	11,871

Notes:

- The pension exchange rate is set by the Board which consults the Scheme Actuary for advice. In this case, the rate is equivalent to giving up £1 p.a. for £19.07 of cash but this rate will vary according to how much pension was earned before and after 1 January 2008.
- The spouse or civil partner's pension would not be reduced as a result of the decision to exchange pension for cash at retirement.

5) Additional Voluntary Contributions (AVCs)

You do not have to exchange pension to obtain maximum cash, as it is possible to pay AVCs to the scheme. The value of the AVC fund at retirement can then be taken as an additional tax-free lump sum providing this does not exceed HMRC limits when combined with the automatic lump sum provided by the Scheme.

If you pay AVCs it will increase the amount of total tax-free cash that can be taken. The reason for this is that the total lump sum is based on 25% of the HMRC valuation of your retirement benefits plus the value of your AVC fund.

Using the same member as shown in Example 1, but assuming the member has built up an AVC fund of £45,000 by retirement, the total lump sum at retirement is £86,613. This is made up of a Scheme lump sum of £41,613 and the AVC fund of £45,000.

HMRC value of benefits at retirement

Pension	13,871	x	20*	=	277,420
Automatic lump sum					41,613
AVC Fund					45,000
Total value of retirement benefits					<u>364,033</u>

Maximum additional lump sum

Total maximum lump sum	364,033	x	25%	=	91,008
Less automatic lump sum					41,613
AVC fund available as tax free cash					<u>49,395</u>

**This example uses a factor of 20. The factor used in your actual calculation may be different. Your lump sum may be higher or lower than this calculation.*

Remaining AVC Funds

If the AVC fund is greater than the maximum that can be taken as tax free cash, we can pay the rest as a taxed lump sum. We would always urge members contemplating buying an annuity or considering more complex pension solutions to seek independent financial advice.

Timing of AVCs

Members can pay AVCs shortly before retirement and take some or all of the AVC fund at retirement in the form of tax free cash. However, if you are likely to have a relatively high clergy pension at retirement and you want to maximise the AVC cash option, you will probably need to do this over a period of several years in the run up to your retirement. It is often beneficial to do this over a much longer period and there is a regular contribution facility as part of the AVC scheme.

6) Combining Exchanging Pension for Cash with AVCs

Where a member has paid AVCs and wants to take additional tax free cash at retirement, the Board would require the member to take the AVC fund as cash before exchanging Scheme pension.

If the amount of the AVC fund available is less than the maximum allowable tax free cash allowed under HMRC rules, it is possible to exchange some Scheme pension to bring the total lump sum to the maximum.

However, you should be aware that if you decide to take the maximum tax free cash from your AVC fund and your Scheme benefits, there will be a delay in the calculation and payment of your Scheme benefits. This is because the calculation and payment of these benefits will be dependant on the final AVC fund value, which is paid shortly after your retirement date. Once this figure is known, we will calculate and pay your Scheme benefits as quickly as possible.