

# Clergy pension examples

April 2024



This guide explains how we calculate Clergy pensions, with a range of different examples. When we work out your pension, we often use actuarial factors and these change over time. The examples in this guide might not use the relevant factor for your circumstances.

Always ask us to calculate your pension for you - **do not use these examples to work out your own pension.**

## Appendix A – Current Benefits

All retirement benefits are based on the previous year's National Minimum Stipend (NMS) which for benefits from 1 April 2024 is £26,794. 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 (2024/25 rates).

	Scheme Member's Pension
All clergy, deaconesses and licensed lay workers other than those mentioned below	£17,862
Archbishops of Canterbury and York	£35,724
Bishop of London	£32,151
Other diocesan bishops	£26,793
Suffragan bishops, deans, provosts and archdeacons	£22,327
Lump sum at retirement - all scheme members	£53,586

### Maximum Pension for Members Joining From 1 January 2011

The following table gives the maximum pension payable on retirement at Pension Age (2024/25 rates).

	Scheme Member's Pension
All clergy, deaconesses and licensed lay workers other than those mentioned below	£13,397
Archbishops of Canterbury and York	£26,794
Bishop of London	£24,115
Other diocesan bishops	£20,095
Suffragan bishops, deans, provosts and archdeacons	£16,746
Lump sum at retirement - all scheme members	£40,191

### 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:

		Pension pa	Lump Sum
With effect from -	1 April 2023	£17,012	£51,036
	1 April 2022	£16,843	£50,529
	1 April 2021	£16,843	£50,529
	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

### Death in Service Lump Sum

The death in service lump sum payable in respect of a full-time post in 2023/24 is £80,382.

## Appendix B – Benefit Calculation Examples

All examples use a National Minimum Stipend of £26,794. This applies to benefits coming into payment during the scheme year from 1 April 2024 to 31 March 2025.

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	26794	x	$\frac{2}{3}$	=	8,207	5,471
$\frac{3}{40}$	x	26794	x	$\frac{2}{3}$	=	1,340	893
$\frac{16}{41.5}$	x	26794	x	$\frac{1}{2}$	=	5,165	3,443
<b>Total Pension</b>						<u>14,712</u>	<u>9,807</u>

#### *Lump Sum Calculation*

$\frac{17}{37}$	x	26794	x	$\frac{2}{3}$	x	3	=	£ 24,621
$\frac{3}{40}$	x	26794	x	$\frac{2}{3}$	x	3	=	4,020
$\frac{16}{41.5}$	x	26794	x	$\frac{1}{2}$	x	3	=	15,495
<b>Total Lump Sum</b>								<u>44,136</u>

## 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 4.5% p.a. in relation to the pension and 3% 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 4.5% compound for each of the 3 years the benefit is being taken early which equals a reduction of 12.9%. The post 2010 pension is therefore multiplied by 87.1%.

The calculation of the lump sum is similar except that the post 2010 lump sum is reduced by 8.73% in total – 3% pa compound for each year taken early. The total lump sum is calculated and the post 2010 lump sum is therefore multiplied by 91.27%.

#### 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	26794	x	$\frac{2}{3}$	=	8,207	5,471		
$\frac{3}{40}$	x	26794	x	$\frac{2}{3}$	=	1,340	893		
$\frac{13}{41.5}$	x	26794	x	$\frac{1}{2}$	x	87.1%	=	3,655	2,436
<b>Total Pension</b>					<u>13,202</u>	<u>8,800</u>			

#### Lump Sum Calculation

$\frac{17}{37}$	x	26794	x	$\frac{2}{3}$	x	3	=	£	24,621	
$\frac{3}{40}$	x	26794	x	$\frac{2}{3}$	x	3	=	4,020		
$\frac{13}{41.5}$	x	26794	x	$\frac{1}{2}$	x	3	x	91.27%	=	11,491
<b>Total Lump Sum</b>									<u>40,132</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 4.5% p.a. compound. The lump sum would be reduced by 3% p.a. compound. So:

- the pre 2011 pension would be reduced by 20.56% - the pension before reduction would be multiplied by 79.44%. The pre 2011 lump sum would be reduced by 14.13% - the lump sum would therefore be multiplied by 85.87%
- The post 2011 pension would be taken 8 years early and would be reduced by 30.81% - the post 2011 pension would be multiplied by 69.19%. The post 2011 lump sum would be reduced by 21.63% - the post 2011 lump sum would therefore be multiplied by 78.37%

### 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	26794	x	$\frac{2}{3}$	x	79.44%	=	6,519	4,346
$\frac{3}{40}$	x	26794	x	$\frac{2}{3}$	x	79.44%	=	1,064	709
$\frac{8}{41.5}$	x	26794	x	$\frac{1}{2}$	x	69.19%	=	1,786	1,191
<b>Total Pension</b>							<u>9,369</u>	<u>6,246</u>	

### Lump Sum Calculation

$\frac{17}{37}$	x	26794	x	$\frac{2}{3}$	x	3	x	85.87%	=	£ 21,142
$\frac{3}{40}$	x	26794	x	$\frac{2}{3}$	x	3	x	85.87%	=	3,451
$\frac{8}{41.5}$	x	26794	x	$\frac{1}{2}$	x	3	x	78.37%	=	6,071
<b>Total Lump Sum</b>										<u>30,664</u>

### 3) Ill-Health Early Retirement

This illustration assumes a member retires due to ill-health on 31 December 2024, but could have continued for 13 years.

#### Service Calculation

Service to 31/12/2007	=	7 years
Service from 01/01/2008 to 31/12/2010	=	3 years
Service from 01/01/2011 to 31/12/2024	=	14 years
Total completed service	=	24 years
Future Service from 01/01/2024 to age 68	=	12 years
Total Potential Service to Age 68	=	36 years

The formula for calculating service for ill-health retirements is:

$$\frac{A}{T} \times P$$

**A** = Completed service to the date of retirement

**T** = total prospective service from the date of joining CEFPS to normal pension age

**P** = Prospective service from the date of retirement to normal pension age

A = 24, T = 36, P = 12. Therefore the additional enhanced service would be 8 years.

#### Pension Calculation

				Member's Pension £ p.a.	Spouse's Pension £ p.a.		
$\frac{7}{37}$	x	26794	x	$\frac{2}{3}$	=	3,379	2,253
$\frac{3}{40}$	x	26794	x	$\frac{2}{3}$	=	1,340	893
$\frac{20}{41.5}$	x	26794	x	$\frac{1}{2}$	=	6,456	4,304
<b>Total Pension</b>						<u>11,175</u>	<u>7,450</u>

#### Lump Sum Calculation

$\frac{7}{37}$	x	26794	x	$\frac{2}{3}$	x	3	=	£ 10,137
$\frac{3}{40}$	x	26794	x	$\frac{2}{3}$	x	3	=	4,020
$\frac{21.3}{41.5}$	x	26794	x	$\frac{1}{2}$	x	3	=	19,368
<b>Total Lump Sum</b>								<u>33,525</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	14,712	x	20*	=	294,240
Automatic lump sum					44,136
Total value of retirement benefits					<u><u>338,376</u></u>

##### Maximum additional lump sum

Maximum including automatic lump sum	338,376	x	25%	=	84,594
Less automatic lump sum					44,136
Maximum additional lump sum					<u><u>40,458</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:

Reduction in pension	£ p.a. 2,662
Remaining pension	12,050

##### 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 £15.20 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 £89,136. This is made up of a Scheme lump sum of £44,136 and the AVC fund of £45,000.

### *HMRC value of benefits at retirement*

Pension	14,712	x	20*	=	294,240
Automatic lump sum					44,136
AVC Fund					45,000
Total value of retirement benefits					<u>383,376</u>

### *Maximum additional lump sum*

Total maximum lump sum	383,376	x	25%	=	95,844
Less automatic lump sum					44,136
AVC fund available as tax free cash					<u>51,708</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.