



Manchester Grammar School

A Guide for Members Defined Benefit for Final Salary



A Guide for Members

The Manchester Grammar School Pension Scheme - MGS (the Scheme) provides benefits related to your earnings and the length of your membership up to 30 September 2016, the date the scheme closed to any further accrual of pensionable service.

This Guide provides information about the 'Defined Benefit' (DB) structure of the Scheme. For information about the 'Defined Contribution' (DC) structure of the Scheme, please refer to the Flexible Retirement (FRP) website www.tpt.org.uk/schemes/frp-dc

This guide gives general guidance only, and it should not be regarded as a complete or authoritative statement on the formal Trust Deed and Rules.

The Scheme is administered by TPT Retirement Solutions.

Should you have any queries or require further clarification or detailed information about your own benefits you should contact:

Retirement Solutions Team 3
TPT
Verity House
6 Canal Wharf
Leeds
LS11 5BQ

Telephone: **0113 394 2552**
Email: enquiries@tpt.org.uk
www.tpt.org.uk

All of the forms referred to in this Guide can be downloaded from TPT's website at www.tpt.org.uk

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Joining the Scheme

What benefit structure can I join?

The DB Structure only apply to former members of Independent Schools' Pension Scheme who had accrued DB benefits whilst employed by Manchester Grammar School up to 30 September 2016. All new members join the DC Structure.

How much do I pay?

Since the DB Structure is closed to further accrual no further member contributions are payable. All contributions are now paid to the DC Structure.

There is also no option to pay additional voluntary contributions into the DB Structure, however, if you are an active member of the DC Structure you can choose to pay extra contributions in order to boost your pension.

How much does my employer pay?

Even though the DB Structure is closed, Manchester Grammar School pays contributions to pay off the deficit (where the potential liabilities of the scheme are greater than the assets) in the DB Structure. These contributions are calculated by the Scheme Actuary.

When a pension scheme is in deficit, it will have reported this to The Pensions Regulator, and put an agreed plan in place to pay this off within a specific timescale. This does not mean the scheme is going to fail and does not affect the benefits you will receive from the DB Structure. The plans put in place to rectify any deficit are designed to eliminate the shortfall over an agreed period.

Can I transfer previous benefits into the DB Structure?

The Scheme does not accept transfers into the Final Salary benefit structure. It may be possible to transfer benefits into the DC Structure. Please contact TPT (contact details can be found on page 2) if you want to investigate this further.

Neither your employers, nor staff at TPT, are registered to provide financial advice. Transferring pension benefits is a complex area and it is recommended that you seek advice from an independent financial adviser. You can find details of local registered independent financial advisers on www.unbiased.co.uk.

Previous Scheme

Throughout this guide there are many references to the 'Previous Scheme'. This refers to the Independent Schools' Pension Scheme (ISPS), which was used to provide benefits for members for pensionable service prior to 30 September 2016.

Leaving

What happens if I leave the Scheme?

You may leave the Scheme for a number of reasons including because you change jobs. Upon leaving the Scheme you can choose to:

- have a deferred pension; or
- transfer your benefits to another pension arrangement; or
- provided you have reached the minimum age, start to receive your pension.

There is no charge for choosing any of these options. Further information on your benefits and options will be sent to you when you either cease employment with Manchester Grammar School or choose to opt out of the Scheme.

Information and quotations can also be provided if you wish to transfer or retire; however, additional charges will apply if you require more than one transfer value quotation or more than two retirement illustrations in any 12-month period.

What is a deferred pension?

A deferred pension is a benefit calculated for you on leaving pensionable service. It is based on the pensionable service you completed as a member of the DB Scheme, the benefit structure in which you built up pension and your pensionable earnings. This pension will remain in the DB Structure and become payable at Normal Pension Age (NPA). You can apply for early payment of the deferred pension any time after age 55, or from 50 if you have a Protected Pension Age (see 'Definitions') and satisfy the relevant conditions. See the section on 'Retirement', below, for further details.

If you have remained in continuous employment with Manchester Grammar School since defined benefit accrual ceased on 30 September 2016 (under the Previous Scheme), and continued to contribute on a defined contribution basis, your membership of the DC Structure remains active. This means that if you have any pension that was built up in the final salary structure of the Previous Scheme, that benefit will continue to increase in line with your pensionable earnings.

How does my deferred pension increase?

If you joined the Previous Scheme before 6 April 1997, part of your deferred pension will be a Guaranteed Minimum Pension (GMP). The GMP part of your pension is increased by statutory revaluation (currently 3.5% for leavers on or after 6 April 2017) for each complete tax year until you retire.

Any deferred pension in excess of the GMP will increase between date of leaving and retirement by the lower of 5% or the rise in the Retail Prices Index.

Once you have retired, your pension will increase as shown in the section 'How does my pension increase'.

Transfer of your benefits

You may transfer your benefits to another pension arrangement (such as your new employer's pension scheme or to a personal or stakeholder pension plan) at any time after you leave the Scheme, but before you start to receive your pension.

Defined Benefit (DB) transfer values are calculated as the best estimate of the cash sum that would need to be invested in order to reproduce your benefits at retirement. A Statement of Entitlement to a guaranteed Cash Equivalent Transfer Value (CETV) of your benefits will be provided on request. You will need to pass the information provided to the administrator of your new pension arrangement to investigate if the transfer can proceed.

Please be aware that members are entitled to one cash equivalent transfer value free of charge in every 12 month period.

Since 6 April 2015, members wishing to transfer benefits valued at more than £30,000 from a Defined Benefit (DB) scheme to Defined Contribution (Money Purchase / DC) scheme, will have to obtain independent financial advice. This includes cases where the member wishes to transfer such benefits within the same scheme, for instance from the DB Structure to the DC Structure. Any such advice must have been provided or checked by a 'pension transfer specialist'. Before a transfer can proceed TPT will require evidence that such advice has been obtained, although it is for the member to decide whether to follow the advice.

Retirement

Provided you have reached age 55 you may choose to start receiving your pension and continue to work if you wish. With the exception of ill-health early retirement and members with a 'Protected Pension Age' (see 'Definitions'), any reference to retirement in this booklet includes those members who choose to receive their pension benefits and continue working, as opposed to retiring in the more traditional sense (i.e. stopping work).

When can I retire?

The Scheme's Normal Pension Age (NPA) is 65. This is the age that will be used for normal funding purposes for scheme benefits. However, benefits built up in the Previous Scheme before 1 September 2003 are payable unreduced from age 60.*

*This is different if you left the Scheme prior to 1 May 2008. Please contact TPT for further information.

If your pension does not start until after NPA, it could be more – and if it starts before NPA, it will be less than the normal retirement pension.

You can apply for early payment of your pension at any time after age 55 (or age 50 if you have a Protected Pension Age – see 'Definitions').

Certain restrictions may apply and you may not be able to take your pension early if it is not sufficient to cover the statutory minimum pension (the 'GMP' – see Definitions) the DB Structure is obliged to pay. You will be advised if your application is unsuccessful.

The information below explains when you can take your pension. However, the age at which you choose to retire is an employment issue, and you may wish to discuss this with your employer.

What will I get?

The value of your Final Salary pension will depend on the accrual rate, how long you have been a member for, and your Final Pensionable Earnings at your date of retirement. Please see the enclosed Benefit Structure Insert for further details.

Can I take a cash sum at retirement?

Yes, when you retire you can give up part of your pension and exchange it for a Pension Commencement Lump Sum (PCLS) which is tax-free under current legislation. This will leave you with a smaller pension.

The PCLS was previously known as your tax-free cash sum. However, it is now possible for a tax charge to apply, but only if your pension savings exceed the Lifetime Allowance (see 'Definitions').

The maximum lump sum available is 25% of the value of your pension benefits. Taking a PCLS at retirement will leave you with a reduced pension. The calculation is not straightforward, but you will be told what this is when we quote your options.

Flexible retirement

In most cases members are able to take part of their pension whilst continuing to work. If they wish to, they can remain a member of the Scheme and accrue further benefits in the DC Structure. Exceptions to this are ill-health retirements, and those members with a Protected Pension Age (see 'Definitions') who retire before age 55. The option to draw part of your pension is only available once in a 12-month period. Enquiries in the first instance should be directed to TPT (contact details can be found on page 2).

Please note: This should not be confused with the right to have your pre 1 September 2003 benefits paid with no reduction from age 60. This option is also sometimes referred to as 'flexible retirement'.

Pension choice

The Defined Benefit structure provides for a survivor's pension, payable in the event of your death.

Are there any other options?

You can give up part of your own pension to provide a higher level of dependant's pension payable following your death. If you are interested in this option, you should request a quotation from TPT before starting your pension.

Can I retire early?

Yes, you can take early retirement from age 55 even if you choose to continue working. You may take your pension benefits between ages 50 and 55 if you have a Protected Pension Age (see 'Definitions') and have left employment to which your membership relates, or at any age if you are retiring on grounds of ill-health (subject to approval). Your pension will usually be lower than at NPA because it will be reduced to allow for the fact that pensions paid early are expected to be paid for longer.

What happens if I am too ill to continue working?

Provided there is satisfactory medical evidence that you are and will continue to be unable to work again in any capacity, your pension can be paid immediately regardless of your age. Guidance on eligibility is available on request and your doctor or consultant will be asked to provide medical evidence for consideration.

If your pension starts early due to ill-health, you still have the option to take a Pension Commencement Lump Sum (PCLS).

The Trustee may adjust or stop your pension if your health improves or you are later able to take other employment. From time to time, the Trustee may request updated medical evidence on your state of health and has the discretion to reduce or suspend your pension if your eligibility changes.

Death benefits

What benefits are payable if I die before retiring?

1. Lump sum

A refund of your own contributions with interest (see 'Definitions'). Except if you die after reaching Normal Pension Age, in which case the lump sum payable will be equal to five years of pension calculated as if you retired on the date of death.

2. Survivor's pension

50% of the pension you would have received based on the value of your pension from the DB Structures at the date of your death.

3. Children's pension

12.5% of the pension you would have received, based on the value of your pension from the DB Structures at the date of your death, would be paid to each of up to four dependent children. If no survivor's pension is payable the children's pensions are doubled.

What benefits are payable if I die after retiring?

If you die after your pension has started the benefits are:

1. Lump sum

If you die within five years of retiring, a lump sum death benefit is payable to your nominee. The amount payable is equal to the unpaid balance of the first five years pension payments, at the rate applicable at the date of death.

2. Survivor's pension

50% of your pension, payable from the date of death, calculated on your full pension before you took any pension commencement lump sum (PCLS) and including any increases in your pension.

3. Children's Pensions

25% of your pension, calculated on your full pension before you took any pension commencement lump sum (PCLS) and including any increases in your pension. This will be payable from the date of death to each of up to four dependent children. If no survivor's pension is payable the children's pensions are doubled.

Important notes

- The regulations governing schemes which are contracted-out of the additional State Pension require that the spouse/civil partner's GMP must be paid to any legal spouse or civil partner following your death.
- If your survivor is more than ten years younger than you, the survivor's pension will be reduced for each year by 2.5% in excess of ten that he/she is younger.
- Except for legal spouses and civil partners, it will be necessary for the Trustee to receive confirmation that the nominee for a survivor's pension is eligible at the date of the member's death.
- Children's pensions are payable to any child of the member who meets the 'Child' definition in the DB Scheme's rules.

Who will receive the benefits payable on my death?

Lump sum death benefits are payable at the discretion of the Trustee. Under current legislation this means that they do not form part of your estate for inheritance tax purposes. You can help the Trustee by completing a Nomination Form detailing the beneficiaries you would like to be considered.

Nominations

- Your nominations should be put in writing and signed, or submitted electronically in a form acceptable to the Trustee (for example, via your personal email).
- Separate nominations are required for lump sums and pensions (even if you have nominated the same person to receive both).
- You should ensure your nominations are kept up to date if your personal circumstances change. If you wish to make any changes to your nomination or a nominee's address, please notify TPT in writing by completing a new Nomination Form.

Nomination Forms can be downloaded from TPT's website at www.tpt.org.uk

Please note: Upon marriage/entering into a civil partnership, or upon divorce/dissolution of a civil partnership, any existing nomination in respect of a survivor's pension will be revoked. Additionally, if you have nominated a partner who lives with you and at a later date you cease cohabiting, the nomination in respect of a survivor's pension will be revoked. If you wish to re-nominate a person whose nomination was revoked in any of the circumstances outlined above, please contact TPT to check whether that person is eligible.

Who can I nominate?

Lump sum

- You can nominate one or more persons or organisations;
- If you choose more than one you must state the percentage you want each person or organisation to receive;
- you should not use the words 'Executor', 'Administrator', 'In Trust for' or 'Estate' for your nomination, but the proper names of persons or organisations.

Survivor's pension may be paid to:

- Your spouse or civil partner; or
- a child who, in the opinion of the Trustee, was dependent on you at the date of your death because of a physical or mental impairment; or
- you may nominate a child who does not have a physical or mental impairment to receive the survivor's pension, but this would stop when he or she ceased to be treated as a 'Child' as described in the next section.

Please note: a child would receive the survivor's pension in place of a child's pension, not in addition to it; or

- anyone who is financially dependent on you to more than a nominal extent.

Children's pensions may be paid to:

- any child who is aged under 18; or
- any child below age 22 in full-time education; or
- a child who, in the opinion of the Trustee, was dependent on you at the date of your death because of a physical or mental impairment.

Children's pensions stop on reaching age 18 or 22 as described, unless the child is suffering from a physical or mental impairment, as noted above, when the pension can continue for the rest of that child's life.

Paying your Pension

How will my pension be paid?

Your first payment will be made shortly after either the date your pension was due to start, or the date TPT receives the appropriate forms if later, and will cover the period from your retirement date to the next quarterly payment date. Payment is subject to receiving all necessary forms, including the Withdrawal Notice from your employer and relevant certificates. Your first pension payment will include any lump sum you have elected to receive.

After this pensions are paid quarterly in advance on 6 January, 6 April, 6 July and 6 October. They will be paid direct to your bank or building society account. It is not usually possible to pay your pension to a bank or building society account that is not in your name.

If tax is due on the pension then it will be deducted under the Pay as You Earn (PAYE) system. Details of the PAYE reference number and relevant tax office dealing with The DB Scheme pension payments will be provided with confirmation of your pension at retirement.

Will my pension increase?

Pensions are reviewed each year and any increase granted is applied on 6 April. Increases are based on the rise in the inflation each January. If the change in inflation is zero or negative then the pension will remain the same; it will not be reduced.

How does my pension increase?

Occupational pension schemes that provide benefits on a Defined Benefit basis are required to increase any pension accrued since 6 April 1997 by at least Limited Price Indexation (LPI) (see 'Definitions').

The increases explained below apply to your own retirement pension and to any dependants' pensions payable in the event of your death.

Once in payment, your pension will be reviewed each year and will increase as follows:

Before State Pension age

The whole of your pension will increase by the lower of 5% or the rise in the Consumer Prices Index (see 'Definitions').

After State Pension age

The GMP part of your pension (applicable for benefits earned between April 1988 and April 1997), if any, is guaranteed to increase each year by the rise in the Consumer Prices Index measured each September up to a maximum of 3%.

Any pension in excess of the GMP will increase as detailed in the 'Before State Pension age section', above.

Members who left the Scheme prior to 1 May 2008 will have different increases to their pension in payment than those stated above. Please contact TPT for further information.

What if...

What if I divorce?

The courts may order that your pension rights must be shared with your ex-spouse or former civil partner. An information leaflet is available on request or from TPT's website at www.tpt.org.uk. Full contact details are provided on the back cover of this booklet. Members should take appropriate legal advice. On the dissolution of a civil partnership, the same pension sharing rules as those used for divorce will apply.

Further Information

Who looks after the Scheme?

The day-to-day administration is entrusted to TPT which has been administering pension schemes since 1946. As a not-for-profit organisation, TPT is run for the benefit of the employers who choose its pension schemes and the members who belong to these schemes. TPT is not an insurance company.

Scheme registration

From 1 October 2016, the Scheme is a registered pension scheme for the purposes of Part 4 of the Finance Act 2004. The Pension Scheme Tax Reference is 00281218RV.

Are there any restrictions on benefits?

HM Revenue & Customs no longer impose limits on the pension benefits you can receive. However, if the value of your benefits from all tax-registered schemes exceeds the Lifetime Allowance, tax charges will apply to the excess. It should be noted that both the Lifetime and Annual Allowances (see 'Definitions') are only likely to affect those with very high earnings and/ or significant pension benefits held elsewhere. For example, if your pensions from all tax-registered schemes do not exceed £50,000 a year, you are unlikely to be affected.

Can I assign my pension?

No, except where permitted by law on divorce, you cannot sign away your pension rights, even temporarily, for example as security for a loan.

The Trustee Company

Your pension scheme is governed by a Trustee Company called 'Verity Trustees Limited'. Directors are non-executive, three nominated by members, three nominated by employers and up to three co-opted by the member nominated and employer nominated Directors. The elected directors may co-opt up to two further directors. All of the directors are non-executive.

Investments are managed independently by external authorised fund managers. Investment performance is reviewed regularly by TPT's Investment Committee.

The State Pension

Prior to 6 April 2016 the State Pension was made up of two parts: the basic State Pension and the additional State Pension (this is also called the State Second Pension or SERPS).

If you were a member of a DB structure of the Scheme, your employment was contracted out of the State Second Pension and as a result, you paid lower National Insurance contributions. This meant that you did not accrue the full State Second Pension during your period of membership of the DB Structures.

From April 2016, there is a single tier State Pension for people reaching State Pension age on or after this date. This has replaced the basic and additional State Pension and also ends contracting out (of the additional State Pension) and the National Insurance rebate.

The amount of State Pension you receive after 6 April 2016 will take account of any time that you have been contracted-out and paid National Insurance at a lower rate.

To find out more about the State Pension visit www.gov.uk/state-pension

Contracting-out prior to April 2016

Between 6 April 1997 and 5 April 2016 a contracted-out scheme had to provide benefits for members which were broadly equivalent to, or better than, those that would have been provided under a 'Reference Scheme'. The requirement was for the benefits overall to be as good as those under this Reference Scheme, although there is no guarantee that every member's own benefits would pass that test.

For any period of membership between 6 April 1978 and 5 April 1997 a Guaranteed Minimum Pension (GMP) had to be provided for each member who was contracted out. The GMP is payable to women from age 60 and men from age 65, or the date of retirement, if later. At that age, the pension payable has to be at least as much as the GMP, which for the majority of members is usually the case. The main impact the GMP has on retirement pensions is the way that pension increases after it starts to be paid. Please refer to the section 'How does my pension increase?', earlier in this guide, for details of how the GMP affects the annual increase in your pension.

Pension Tracing Service

Details of TPT (and all its pension schemes) have been registered with the Pension Tracing Service and the address is:

Pension Tracing Service
The Pension Service Tyneview Park
Whitley Road
Newcastle-upon-Tyne NE98 1BA
Telephone: **0845 600 2537**

Reference: 10170418

The purpose of this registration is to help individuals trace their pension rights. If you think you have pension benefits with a previous employer's scheme, but have lost contact, the Pension Tracing Service may be able to help.

Rights, obligations and limitations

The rights and obligations of members of the DB Structure are set out in the Trust Deed and Rules and the Scheme Document which are the formal documents of the DB Structures. This Guide is intended to provide a clear and simple explanation of the main benefits you are entitled to under the Scheme.

If there is any conflict between the interpretation given in this Guide and the formal Trust Deed and Rules or the Scheme Document, the legal interpretation of the formal documents will prevail. Copies of the Trust Deed and Rules and Scheme Document are available from TPT. Full contact details are provided on the back page of this booklet, or from TPT's website www.tpt.org.uk.

Before making any financial commitment on the basis of any information provided in respect of retirement benefits, please contact TPT for final confirmation of the expected level of benefits. Staff will be pleased to provide any further information or assistance you may need.

TPT is not registered under the Financial Services and Markets Act 2000 to give financial advice. Any information that is provided to members or prospective members should therefore be taken to constitute information and not be taken to constitute advice. When providing information to members TPT takes care to provide an accurate service but the decision and choice remains the individual's, for which TPT cannot be responsible.

General Data Protection Regulation (GDPR)

For more detailed information on how we use and disclose personal information, the protections we apply, the legal basis for our use of personal information and your data protection rights under the General Data Protection Regulation, see our privacy notice at www.tpt.org.uk/privacy-policy
If you would like a copy of the privacy notice to be sent to you, please email privacy@tpt.org.uk or call 0113 394 2779

The Trustee takes appropriate measures to ensure that your personal data is held securely.

Annual Report & Financial Statements

Members receive a summarised version of the Annual Report and Financial Statements each year, but are entitled to the full version that will be provided on request. Alternatively, a copy can be viewed on TPT's website at www.tpt.org.uk

Pension Protection Fund (PPF)

1. The PPF is a fund designed to protect members' rights under company Defined Benefit pension schemes should the employer become insolvent.
2. The PPF is funded by a levy on company pension schemes that are potentially eligible to benefit from it. The levy on the Scheme will not result in a reduction to your pension.
3. Benefits payable under the PPF are, briefly, as follows:
 - your full pension if you have reached your scheme's NPA or receive an ill health pension (regardless of your age);
 - 90% of the expected scheme pension for all other members, subject to a current maximum of £37,420.42 (2016/17) a year at age 65. This maximum figure is reduced actuarially for those under age 65;
 - widow/ers' or survivors' pensions of 50% of the members' pensions; and
 - pension earned from April 1997 will increase each year in line with CPI up to a maximum of 2.5%. Pension relating to service before April 1997 will not be increased under the PPF.
4. In general, benefits will be paid from the PPF, as opposed to your own scheme, when:
 - your employer becomes insolvent, or in circumstances where the Trustee or The Pensions Regulator consider this likely; and
 - the assets of its pension scheme are insufficient, i.e. there is not enough money to pay at least the level of PPF benefit described in point 3 above).

Complaints

Complaints procedure

If you have a problem or complaint in connection with your pension, we recommend that you initially discuss this with your usual contact at TPT. If they are unable to resolve the matter you may find it helpful to speak to the Pensions Administration Manager and/or the Head of Pension Administration Services.

If your complaint cannot be resolved informally and you remain dissatisfied you may at any time follow the formal complaints procedure; this has two stages and is summarised below.

Disputes – Formal Resolution

If you remain dissatisfied, you may request (in writing) a formal resolution from the Head of Trustee Services. A decision will usually be provided within two months of your formal request.

Appeal

If you remain unhappy or disagree with the formal resolution from the Head of Trustee Services, within six months of the decision you have the right to appeal to the Trustee. The result of your appeal should be provided within two months of your request.

The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with difficulties they have failed to resolve. The address is:

The Pensions Advisory Service, 11 Belgrave Road, London, SW1V 1RB

Telephone: **0845 601 2923**

Fax: **020 7592 7000**

Email: enquiries@pensionsadvisoryservice.org.uk

Pensions Ombudsman

The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to the Scheme where TPAS has not resolved the issue. The address is:

The Office of the Pensions Ombudsman 11 Belgrave Road, London, SW1V 1RB

Telephone: **020 7630 2200**

Fax: **020 7821 0065**

Email: enquiries@pensions-ombudsman.org.uk

The Pensions Regulator (TPR)

TPR is able to intervene in the Scheme administration where the Trustee, employers or professional advisers have failed in their duties. It replaces the previous regulator, the Occupational Pensions Regulatory Authority (OPRA), which ceased to exist on 6 April 2005. TPR inherited all the previous powers held by OPRA along with some new ones to give it wider scope. The address is:

The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW
Telephone: **0845 600 0707**
Fax: **0870 241 1144**
Email: **customersupport@tpr.gov.uk**

Definitions

Additional Voluntary Contributions (AVCs) is the name given to any contributions you paid above your 'normal' contributions to secure extra benefits.

Annual Allowance is the amount by which the value of your pension benefits may increase in any one year period without you having to pay a tax charge. From April 2016 the Scheme's pension saving year has been aligned to the tax year and is called the pension input period.

There is a maximum amount which can be put into your pension plan (£40,000) called the Annual Allowance. This is reviewed each year and more details can be found by visiting www.gov.uk/tax-on-your-private-pension/annual-allowance Please inform your employer if you think you will exceed the Annual Allowance.

Benefits are the pensions and other payments made to members and their dependants on death, retirement and after leaving the Scheme.

Deferred Pension is the pension secured for you on leaving service and is payable on retirement.

Final Pensionable Earnings is your Pensionable Earnings for the last 12 months' before you retire for the benefits accrued prior to 1 September 2011. For the benefits accrued from 1 September 2011 it is the better of Pensionable Earnings for the last 12 months' before you retire or the yearly average of your last three years' pensionable earnings increased by the rise in the Retail Prices Index in the year ending six months before you retire.

Guaranteed Minimum Pension (GMP) is that part of your pension, or your legal spouse's or civil partner's pension, which is roughly the equivalent of the SERPS pension for membership before 6 April 1997. The Scheme pays a GMP to you during retirement or to your legal spouse or civil partner after your death as part of the Scheme pension, to replace the SERPS pension. The Scheme must provide at least this level of pension.

Interest Means compound interest calculated annually on the amount of the members' contributions at the end of the preceding September. The rate of interest will vary from time to time. For refunds of contributions on death, interest only accrues up to the date of death.

Lifetime Allowance Each individual in the UK is allowed to accumulate pension benefits up to a value of £1 million without incurring any tax charge.

Each year your Benefit Statement show the value of the pension benefits you have accrued as a percentage of the current Lifetime Allowance. You must also take into account the value of any pension benefits you have from previous pension arrangements in estimating whether you have scope to pay AVCs without any danger of breaching the Lifetime Allowance.

If the Lifetime Allowance is exceeded, a tax charge of 55% will be levied on the excess fund if the benefits are taken as a cash lump sum. If the excess benefits are taken as pension then a tax charge of 25% will be levied, as well as the usual income tax payable on the pension instalments.

If you are concerned that your benefits from all sources may breach the Lifetime Allowance you may wish to consult an Independent Financial Adviser (IFA) as to your best course of action.

Please note: TPT and its representatives are not permitted to give financial advice.

Limited Price Indexation (LPI) is a requirement under the Pensions Act 1995 to pay specified increases on pensions in payment. For pension accrued before 6 April 2005, LPI is currently defined as the rise in the Consumer Prices Index up to a maximum of 5%. For pension accrued from 6 April 2005, the law requires (as a minimum) that the Scheme pays increases in line with the Consumer Prices Index, capped at 2.5%. However, the Scheme has chosen to continue to pay pension increases on the pre 6 April 2005 basis (i.e. capped at 5%) for pension accrued in the DB Structures.

Normal Pension Age (NPA) is age 65 for payment of full scheme benefits.

Pensionable Earnings is your normal gross pay each year including London Weighting (where applicable), shift pay, contractual bonuses, overtime, allowances and such other emoluments as agreed with the Trustee, but excluding non-contractual overtime or other such emoluments agreed with the employer. A 'pre-sacrifice' amount may be used by your employer if you participate in a salary sacrifice arrangement (e.g. a childcare voucher scheme).

Pensionable Service is your period of membership of the Previous Scheme (in years and completed months) to 30th September 2016.

Protected Pension Age Members who joined the scheme before 6th April 2006 will have a Protected Pension Age of 50. This will allow these members to retain the right to retire from age 50, but if they retire before age 55 they will be required to leave the employment to which the pension relates.

Reference Scheme Test To contract-out, between 6th April 1997 and 5 April 2016 the DB Structures must provide benefits at least equal to the Reference Scheme, (as defined by legislation for contracting-out purposes).

The Scheme is The Manchester Grammar School Pension Scheme.

These definitions are provided as a summary. Please see the formal Trust Deed and Rules and Scheme Document if further clarification is required.

Manchester Grammar School

Benefit Inserts Appendix

Final Salary 1/60th Benefit Structure Insert

The information included in this insert applies to periods of membership in the Final Salary 1/60th benefit structure.

Calculation of pension

For your period of membership in this benefit structure you will receive a pension of:

$1/60\text{th} \times \text{pensionable service} \times \text{earnings}$

For example, if you had completed 20 years' service in this benefit structure when you left and your earnings were £25,000 your pension would be calculated as follows:

$1/60\text{th} \times 20 \text{ years} \times £25,000 = £8,333.33 \text{ a year}$

This pension includes the minimum pension the Scheme is obliged to pay as a result of your membership being contracted-out of the State Second Pension.

If you have transferred previous benefits into the Scheme, the benefits secured by the transfer will have been notified to you at the time and will be paid in addition to those calculated for your period of membership in the Scheme.

You will find definitions of the terms used in the last section of the booklet A Guide for Members – Defined Benefit for Final Salary.

What if I work part-time?

If you have worked the same part-time hours in your employment for the whole period of your membership of the Scheme, your pension benefits will be calculated using the method shown above using your part-time earnings.

The calculation is more complex if the number of hours you have worked has changed during your membership of the Scheme, or if your membership is made up of full-time and part-time periods. In these circumstances your service and Pensionable Earnings will be converted to full-time equivalent values in order to calculate your pension benefits.

Retirement benefits

Your retirement benefits in respect of membership of this benefit structure will be calculated as described above based on service and earnings at your actual retirement date.

For all pensionable service the earnings used to calculate your pension will be your Final Pensionable Earnings.

The booklet explains further the options available at retirement and the impact on your benefits of retiring before or after Normal Pension Age.

Deferred pension

If you leave the Scheme and choose to receive a deferred pension, your deferred pension in respect of membership of this benefit structure will be calculated as described above based on service and pensionable earnings at your date of leaving.

Please refer to the section entitled 'Leaving' in the booklet 'A Guide for Members- Defined Benefit for Final Salary' for information on how your deferred pension will increase prior to you retiring.

The booklet explains further the options available at retirement and the impact on your benefits of retiring before or after Normal Pension Age.

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