

# Frequently Asked Questions

## How is your pension calculated? Webinar



### Questions Asked

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## **If your number of working days goes down (e.g. 5 to 3), this causes your annual pay to be reduced. As pension is based on final pay does this mean your pension goes down?**

The LGPS is now a CARE scheme which means that each year you accrue a pension equal to 1/49th of your pensionable pay, which is added to your pension account. Your pension benefits are then revalued each year to ensure that they keep up with the cost of living.

Therefore, if you reduced your working days down to 3 days a week, your pensionable pay would decrease, meaning that the pension you accrue going forward would also decrease.

If you joined the LGPS before 1 April 2014, you have membership in the final salary scheme. Your final salary benefits are worked out differently.

For membership built up between 1 April 2008 and 31 March 2014 you receive a pension of 1/60th of your [final pay](#) as a pension.

For membership before 1 April 2008, you receive a pension of 1/80th of your final pay plus an automatic lump sum of three times your pension.

Your final pay figure is a full-time equivalent figure, therefore, reducing your hours would not have any effect on your final salary benefits.

Your final pay is usually your pensionable pay in the year you leave the Scheme. Pay from one of the previous two years can be used if it is higher.

Visit the LGPS website for an example pension account: [How your pension is worked out :: LGPS](#)

## **How does early retirement (pre-65 or pre-67) affect your pension and lump sum calculations?**

If you choose to take your pension benefits before your Normal Pension Age, they will normally be reduced. First, your benefits are calculated as usual and then reduced. The reduction is based on the period between the date your benefits are paid and your Normal Pension Age. The earlier you take your pension, the bigger the reduction.

The current reductions for taking your benefits up to 13 years early are shown in the table below. If the number of years is not exact, the reductions will be adjusted.

| Number of Years Paid Early | Reduction to Annual Pension | Reduction to Automatic Lump Sum |
|----------------------------|-----------------------------|---------------------------------|
| 0                          | 0%                          | 0%                              |
| 1                          | 4.9%                        | 1.7%                            |
| 2                          | 9.3%                        | 3.3%                            |
| 3                          | 13.5%                       | 4.9%                            |
| 4                          | 17.4%                       | 6.5%                            |
| 5                          | 20.9%                       | 8.1%                            |
| 6                          | 24.3%                       | 9.6%                            |
| 7                          | 27.4%                       | 11.1%                           |
| 8                          | 30.3%                       | 12.6%                           |
| 9                          | 33.0%                       | 14.1%                           |
| 10                         | 35.6%                       | 15.5%                           |
| 11                         | 39.5%                       | Does not apply                  |
| 12                         | 41.8%                       | Does not apply                  |
| 13                         | 43.9%                       | Does not apply                  |

All members have the option to give up some of their annual pension for a tax-free lump sum on retirement. For every £1 of annual pension given up, you get £12 of lump sum. The amount given up cannot be more than 25% of the total capital value of your benefits. We will tell you how much lump sum you can have when your benefits become due.

## I joined in August, but my pension statement is only up to March- when I leave will the difference be calculated?

Your annual benefit statement is a snapshot of your benefits as at 31<sup>st</sup> March of that year. When you leave or retire, your benefits will be calculated, and you will get a quote based on your age and service. If you would like a pensions quote, you can work out your own benefit quotes on 'My Pension Online'.

## What is the 85-year rule?

If you were a member of the LGPS at any time between 1 April 1998 and 30 September 2006, you may be protected under the 85-year rule.

You satisfy the 85-year rule when your age and length of LGPS membership add up to 85. Your age and Scheme membership are both measured in full years for this purpose. If you work part time, your membership counts towards the 85-year rule at its full calendar length.

The 85-year rule will apply if you are over age 60 when you retire. If you fully retire between age 55 and 60, the 85-year rule will not automatically apply, and your benefits will be reduced. Your employer can choose to allow the 85-year rule to apply. This is a discretion. You can ask your employer about their policy on this.

If you take flexible retirement, the 85-year rule will apply to the benefits you have built up to the date you first take flexible retirement, even if you are under 60. The 85-year rule will not protect any benefits you build up after you first take flexible retirement.

What the 85-year rule means for you depends on your age, the date you meet the 85-year, and the date you take your LGPS benefits. If you are protected and;

- you take your benefits after you satisfy the 85-year rule, some or all your benefits will be paid without reduction;
- you take your benefits before you satisfy the 85-year rule; your benefits will be reduced but the early payment reduction will be lower than the normal reduction that applies to a member who is not protected.

The rules governing how the 85-year rule works and the level of protection you will get are complex. If you are thinking of retiring, you should contact your pension fund for an estimate of the benefits you will be entitled to. If you are thinking about flexible retirement, you should contact your employer to check their policies on flexible retirement.

## Useful Links and Contact Details

|                                                                                     |                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>National LGPS member website</b></p>                                          | <p><a href="http://www.lgpsmember.org">www.lgpsmember.org</a></p> <p>Calculators, videos, FAQs, general information about the scheme</p>                                                 |
|    | <p><a href="http://mss.clwydpensionfund.org.uk">mss.clwydpensionfund.org.uk</a></p> <p>pensions@flintshire.gov.uk</p>                                                                    |
|    | <p><a href="http://www.oxfordshire.gov.uk/business/oxfordshire-pension-fund">www.oxfordshire.gov.uk/business/oxfordshire-pension-fund</a></p> <p>Pension.services@oxfordshire.gov.uk</p> |
|  | <p><a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> <p>pensions@shropshire.gov.uk</p>                                                |