Thinking of retiring as a deferred member

July 2026

Contents

How do I know if this booklet applies to me?

You're a deferred member if you left the Local Government Pension Scheme (LGPS) before retirement and hold deferred benefits in the scheme. Your deferred benefit is the annual pension you've built up in the LGPS up to the date of leaving your employment. If you were a member of the LGPS before 1 April 2008, you'll also be entitled to an automatic retirement lump sum as well as your annual pension. Your deferred benefit is held in the pension fund until your normal pension age and increased (if applicable depending on CPI interest rates) each year in line with inflation.#

Section 1 – How can I retire?

Normal retirement

Your LGPS benefits become due at your normal pension age. In the LGPS this is the same as your State Pension age. This is known as normal retirement. When you reach your normal pension age, we'll write to you to let you know you can take your benefits unreduced.

The Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028.

Early retirement

Deferred members can choose to retire and take their pension from age 55 (age 57 from 6 April 2028), without their former employer's consent. Pension benefits are normally reduced if paid before normal pension age.

If you would like to ask for your benefits to be paid early, you must fill in our 'application for payment of benefits form'. This form can be found on our website or sent to your home address if you call the helpdesk. This form must be sent to us three months before the date when you'd like your benefits paid.

Reductions are worked out in line with guidance from the Secretary of State. The percentage reductions for retirements up to 13 years early are shown in the table below. If the number of years isn't exact, we adjust the reduction percentages.

Early retirement reductions (as at August 2026)

Years early	Pension reduction	Lump sum reduction (for membership to 31 March 2008) %
0	0%	0%
1	5.0%	2.0%
2	9.6%	3.9%
3	13.9%	5.8%
4	17.8 %	7.6%
5	21.5%	9.4%
6	24.9%	11.2%
7	28.1%	12.9%
8	31.1%	14.7%
9	33.9%	16.3%
10	36.6%	18.0%
11	39.0%	N/A
12	41.4%	N/A
13	43.6%	N/A

If you've built up pension in the LGPS before 1 April 2014, the normal pension age that applies to those benefits is protected at 65. If you were a member of the LGPS on 30 September 2006, you may also be protected from reduction under the '85-year rule'. This means if you choose to retire before your normal pension age, some or all your benefits may not be reduced for early payment.

Late retirement

You don't have to take your benefits at your normal pension age, but you **must** take them by your 75th birthday. If you take your benefits **after** your normal pension age, they will be increased.

Ill-health retirement

If you're suffering from ill-health, you may be able to take your benefits immediately. Your former employer, based on an opinion from an independent occupational health physician, must be satisfied and make the decision that you would be permanently unable to do your previous job until your normal pension age **and** that you're not immediately capable of undertaking gainful employment.

Deferred benefits which come into payment because of ill-health can be paid at any age and aren't reduced for early payment, but no enhancement is applied.

Section 2 – The retirement process

Now that you're thinking of retiring, you'll want to know what happens with your LGPS benefits. The following steps show you a brief overview of the process.

01.

When you reach your normal pension age we'll send you a retirement pack. If you're retiring before your normal pension age, you must fill in the 'application for payment of benefits form' to let us know the date you plan on retiring so we can start the retirement process.

02.

This pack includes forms to be filled in and your benefit options. You may be asked for your birth and/or marriage certificates if we haven't already seen them. We aim to send out your retirement pack within seven working days.

We'll process your benefits once you send us your completed forms. A letter will be sent confirming your annual pension and the payment date of your lump sum retirement grant, if applicable.

03.

If all the forms aren't returned, or have been filled in incorrectly, this may delay payment of your benefits.

A final letter will be sent out telling you your payroll number, the date your first pension payment will be made and how to access your payslips/ P60s online.

How long does the retirement process take?

When we have all the information we need from you, we'll do our best to start paying your pension from the next available pay date. Your lump sum retirement grant will also be paid once your forms have been received and checked.

Please note, your pension will not be paid into your bank account on the day you retire, but rather the next pay date after all the information has been received and processed.

I have multiple records. Do I have to take all my benefits at the same time?

No. Depending on the dates of membership for your other pension records, the benefits may have different normal pension ages. We'll write to you at the normal pension age of each employment record with details about that pension payment.

Section 3 – Small pension pots and trivial commutation

Trivial commutation is where a small pension benefit can be paid as a lump sum.

How do I know if I can take all my pension as a one-off lump sum? The following rules must be met to take your pension as a one-off lump sum.

- You must be at least age 55, age 60 if you're a woman with a Guaranteed Minimum Pension (GMP), or age 65 if you're a man with a GMP, with no upper age limit.
- You must add all your benefit values, of all pension arrangements including company pensions/personal pensions/stakeholder pensions/ retirement annuities/ buy-out plans (but not State Pension), together and if they **don't** exceed a total of £30,000, trivial commutation may be possible.
- All the benefits in the LGPS must be extinguished including all benefits from other LGPS funds.

You don't have to commute all your pension arrangements if you have other pensions. You can commute some and leave others to provide you with a retirement income. All transactions must take place within twelve months of the first one.

What are my options in the LGPS?

In the LGPS, it may be possible for you to take a lump sum under the 'de minimis' rules, even if the trivial commutation rules described above haven't been met. However, this option isn't available if you're receiving payment of deferred pension benefits because of leaving the LGPS before 1 April 2008.

The ‘de minimis’ rules are:

- you must be 55 or over or GMP age;
- you must not be a controlling director of the sponsoring employer;
- the payment must not exceed £10,000;
- the payment extinguishes your right to benefits under the scheme; and
- there must not have been a transfer-out of the scheme in the three years preceding the date of payment.

If these rules are met, we’ll pay your benefits built up in our fund as a lump sum. This is unless a formal request is made by you describing any exceptional circumstances which should be considered as to why you don’t wish to receive a lump sum payment.

Will the trivial commutation lump sum be taxed?

The lump sum paid will be considered as income for tax purposes. The first 25% of the lump sum payment will be tax free and the remaining 75% will be taxed. Unless you’re giving up a pension in payment, in which case the whole lump sum is taxed. Instructions from HMRC mean the tax is taken at source and you’re paid the remaining balance.

Further information about taking a small pension.

The option to take a small pension benefit as a lump sum will be provided to you if we think you might meet the criteria. This will be covered in your retirement pack as part of the retirement process.

To read more about trivial commutation and small pension pots visit HMRC’s website: www.gov.uk/hmrc. The Pensions Advisory Service website: www.pensionadvisoryservice.org.uk, also has some useful information.

Section 4 – Tax and your pension

Your lump sum retirement grant is completely tax-free (in line with current HMRC rules). However, there are other limits to be aware of which could have potential tax implications.

Lifetime allowance

Lifetime allowance was abolished on the 6th April 2024. You can find out basic information about annual allowance in the tax section of the LGPS member website.

Recycling

When you take your benefits, you may also receive a lump sum payment as well as your pension. This is sometimes referred to by HMRC as a pension commencement lump sum (PCLS).

If you intend to use part, or all your pension lump sum to fund additional contributions to a pension scheme, or to any other pension arrangement, this is known as 'recycling' and special tax rules may apply. If you break the recycling rules, you'll have to pay a tax charge of between 40% and 55% of the value of your pension lump sum.

Pension recycling applies to all lump sums paid on or after 6 April 2006 and those used to increase pension contributions, regardless of when the contributions are paid. The recycling rule applies when **all** the following conditions are met.

- You receive a lump sum (HMRC call this a PCLS).
- Because of the lump sum, the amount of contributions paid into another registered pension scheme is significantly greater than it otherwise would be.
- The additional contributions are made by yourself or by someone else, such as your employer.
- The recycling was pre-planned.
- The amount of lump sum, taken together with any other lump sums taken in the previous 12-month period, exceeds:
    - £7,500 for events on or after 6 April 2015; or
    - 1% of the standard lifetime allowance for events before 6 April 2015.
- The total amount of the additional contributions is more than 30% of your lump sum.

If you think these rules affect you, you should contact HMRC.

Section 5 – Benefits from additional contributions

If you‘ve bought additional benefits in the LGPS, you’ll need to take these benefits at retirement. How these benefits can be used depends on if you were paying:

- additional voluntary contributions (AVCs)
- additional pension contributions (APCs)
- added years; or
- additional regular contributions (ARCs).

Additional voluntary contributions (AVCs)

You have a choice of how to use your AVC fund. At retirement the options available to you will be given in a letter.

01. Buy an annuity

This is where an insurance company, bank, or building society of your choice converts the value of your AVC fund and pays you an annuity (pension) in return.

The amount of the annuity depends on several factors, such as interest rates and your age. You also have some choice over the type of annuity, for example whether you want annual increases and dependants’ benefits.

02. Buy an annuity from the LGPS

If you retire with immediate payment of your benefits, you may be able to use your AVC fund to buy an annuity from the main scheme.

03. Buy extra membership in the LGPS

If you started paying AVCs before 13 November 2001, you’re aged 50 or older, and stopped paying your AVCs before you retire, or at any age if you’re retiring on ill-health grounds, you have the choice to convert your AVC fund into extra LGPS membership.

04. Take your AVC fund as cash

If you still have scope to, you can convert some of your LGPS pension into a lump sum. We’ll explain your position in your retirement letter.

If you're buying added years in the LGPS

If you bought added years, you were given the extra membership you paid for when you left the scheme. This has increased the value of your retirement benefits. Each year of membership bought will count as 1/80th of your final salary pay for your annual pension and 3/80ths for working out your lump sum. This is unless you first joined the scheme aged 45 or over, where each year counts at 1/60th for pension with no lump sum.

Additional regular contributions (ARCs)

If you bought ARCs, you were given the extra pension you paid for when you left the scheme. This has increased the value of your benefits. You have the option to give up part of your pension for a lump sum, within HMRC limits.

Your additional pension will be affected by any early payment reductions.

Additional pension contributions (APCs)

When you left your employment, the amount of pension bought was added to your deferred account. Your additional pension will be affected by any early payment reductions.

Section 6 – Freedom & choice

The information below only applies to you if you're more than twelve months away from your normal pension age.

What's freedom and choice?

Changes in the law introduced by the Pensions Act 2015 mean many members of UK pension schemes offering defined contribution (DC) benefits have increased flexibility over how they can take their pension from age 55. This increased flexibility means these members can now take the whole of their pension as a lump sum in one go, or at different stages. However, only 25% of the cash taken will be tax free.

The LGPS isn't a defined contribution scheme but a defined benefit scheme. This means these flexibilities **don't** apply to LGPS members.

Transferring my deferred benefits

If you decide to transfer your pension rights from the LGPS to another pension scheme to use one of the flexible benefit arrangements, you may have to take independent financial advice.

Independent financial advice is needed if the transfer value of your main scheme benefits is more than £30,000. The cost of the financial advice must be covered by you. If you have more than one LGPS benefit in the same fund, or other LGPS funds, these benefits would count together when considering if independent financial advice must be taken. Before a transfer value can be paid by us to a different scheme, you'll have to give us a signed statement saying you've taken advice from a registered financial advisor.

If your transfer value is less than £30,000 you don't need to take financial advice. However, we always recommend you seek financial advice before deciding to transfer your LGPS pension benefits.

More information is available from The Money Helper and The Pensions Advisory Service.

Can I just transfer my AVC plan and leave the main scheme benefit with the LGPS?

Yes, an AVC can be transferred independently of your main scheme benefits.

How do I find an independent financial advisor?

An authorised independent advisor can be found by using one of the following websites.

- FCA register
- Personal Finance Society Website
- The Association of Professional Financial Advisors
- Your local Citizens Advice Bureau.

Section 7 – Frequently asked questions

When will my pension be paid?

Your pension will be paid on the 29th of every month (or earlier if the 29th is a Saturday, Sunday or bank holiday). Payment may be made slightly earlier in December before Christmas. Upcoming pay dates are listed on our website.

Will I receive a payslip?

Yes; you can view your monthly payslips online by logging onto My Pension Online. Please visit www.shropshirecountypensionfund.co.uk.

What if I decide to live abroad?

If you're thinking of moving abroad, contact us in good time so we can discuss the options with you and make the necessary arrangements.

What if I get another job after I retire?

If you get another job your pension won't change. It will continue to be paid under current fund policy.

Section 8 – Dispute procedure

Under Regulation 74 of the Local Government Pension Scheme Regulations 2013 (as amended), we must tell you that if you are unhappy with any decision about your rights or liabilities under the scheme, you may make an appeal application to the body responsible for the decision; either your employer or the Administering Authority. This is called a 1st stage appeal and must be made within six months of the event.

We would suggest that you come to us before considering the appeal process, as we may be able to resolve your query. Standard forms and guidelines on the appeals process can be found on our website. You can also ask for a copy by calling 01743 252130.

After you've been through the 1st stage, if you're still unhappy you may apply for a reconsideration using the 2nd stage to:

Legal and Governance, Shropshire Council, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ

If you have a complaint or dispute which has gone through the Internal Dispute Resolution Procedure (IDRP), but you are still unhappy with the response, you can contact The Pensions Ombudsman (TPO).

The Pensions Ombudsman (TPO)

TPO deals only with pension complaints. It can help if you have a complaint or dispute about the administration and /or management of personal and occupational pension schemes.

You have the right to refer your complaint to the TPO free of charge. There is no financial limit on the amount of money that TPO can award you. Its determinations are legally binding on all parties and are enforceable in court.

Section 9 – Useful information and organisations

State Pension: Any queries about the State Pension should be addressed directly to the DWP www.gov.uk | Tel: 0800 731 7898

Prudential: Prudential, Lancing BN15 8GB www.pru.co.uk | Tel: 0800 000 000

The Pensions Regulator: Napier House, Trafalgar Place, Brighton, BN1 4DW www.thepensionsregulator.gov.uk |Tel: 0345 600 7060

The Pension Tracing Service: The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU www.gov.uk/find-lost-pension |Tel: 0800 731 0193

Pensions Ombudsman: 10, South Colonnade, Canary Wharf, E14 4PU

www.pensions-ombudsman.org.uk |Tel: 0800 917 4487

Use of AI tools

We have tried to make the information in this guide as simple and accessible as possible. You may be tempted to use AI tools to help explain it, but we strongly discourage this. AI tools may provide misleading, incorrect or confusing information, and their responses will not be tailored to your circumstances, the fund's rules and regulations, or the fund's administrative practices.

Publicly available AI tools can also create a risk that private or confidential information is shared unlawfully by mistake. If you choose to use these tools, we recommend checking the sources used to produce any response and not entering any personal data into OpenAI tools.

If you rely on misleading information from an AI tool and suffer a loss as a result, it is unlikely you would be able to recover compensation from the AI provider. We cannot accept liability for any loss caused by a member's misuse of AI. For this reason, we also recommend that you do not rely solely on AI when making decisions about your pension with the fund.

Contact details

Shropshire County Pension Fund is a data controller under the General Data Protection Regulations (GDPR). This means we store, hold and manage your personal information in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we must share your information with certain bodies but will only do so in limited circumstances. For more information about how we hold your information, who we share it with and what rights you have to request this information from the fund, please visit www.shropshirecountypensionfund.co.uk.

If you can read this but know someone who can't, please contact us on 01743 252130 so we can provide this information in a more suitable format.

Office hours

Monday to Thursday	8:45am to 5pm
Friday	8:45am to 4pm

Helpdesk phonelines: (excluding Bank Holidays)

Monday, Tuesday and Thursday	10am to 4pm
Wednesday and Friday	10am to 1pm

Contact details

Email: www.shropshirecountypensionfund.co.uk/contact-us/
Website: www.shropshirecountypensionfund.co.uk
Tel: 01743 252130
Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

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