



# Thinking of retiring as a contributing member

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June 2024

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## Section 1 – How can I retire?

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Before you read this guide, please be aware that all types of retirement (except flexible retirement) mean leaving your job.

### Normal retirement

Your Local Government Pension Scheme (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. You can, however, choose to retire and take your LGPS pension at any time from age 55 to 75. Although, you must have been in the scheme for two years.

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

You can choose to retire early and take your pension from age 55. You don't need your employer's consent. But your pension is normally reduced if paid before your normal pension age.

**Reduction table (table issued April 2024)**

Years early	Pension reduction	Lump sum reduction (for membership to 31 March 2008) %
0	0.00%	0.00%
1	4.90%	1.70%
2	9.30%	3.30%
3	13.50%	4.90%
4	17.40%	6.50%
5	20.90%	8.10%
6	24.30%	9.60%
7	27.40%	11.10%
8	30.30%	12.60%
9	33.00%	14.10%
10	35.60%	15.50%
11	39.50%	N/A
12	41.80%	N/A
13	43.90%	N/A



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

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 have rule of 85 protection. 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**

If you carry on working past your normal pension age you can keep paying into the LGPS. However, you must take your benefits by your 75<sup>th</sup> birthday. Because you'll be drawing your benefits after your normal pension age, they will be increased.

### **Redundancy or efficiency of service**

If you're age 55 or over with two or more years scheme membership, your main benefits are due immediately if your employer makes you redundant or you're retired because of business efficiency. If this happens, no early payment reductions would be applied to your benefits.

Any additional pension paid for by additional pension contributions (APCs) or shared cost additional pension contributions (SCAPCs) would, however, be paid at a reduced rate if the retirement happened before normal pension age.

### **Ill-health retirement**

If you leave work because of ill-health, you may be able to take your benefits immediately.

To qualify for ill-health benefits, you must have been in the scheme for two years. Your employer, after getting an opinion from an independent occupational health physician, must be satisfied and make the decision that you will be permanently unable to do your job until your normal pension age and that you're not immediately capable of undertaking any other gainful employment.

Ill-health benefits can be paid at any age and aren't reduced for early payment. In some cases, your benefits could be increased. There are graded levels of benefits based on how



likely you are to be capable of gainful employment after you leave. To find out more about ill-health retirement, please read our 'can you tell me about ill-health retirement' information leaflet.

### Flexible retirement

Rather than continuing in your job to your normal pension age or retiring early, you may want to think about flexible retirement. You can flexibly retire from age 55 if you've been in the scheme for at least two years and your employer agrees. To qualify, you must reduce your hours or move to a less senior position. Your employer will have a policy on flexible retirement. You can ask them for details of their policy and how you apply.

## Section 2 – The retirement process

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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.



Your employer sends us a leavers form. This gives us the pay figures we need to work out your benefits. If you're retiring before normal pension age, you must contact us to let us know the date you plan on retiring.

**Your employer won't be able to give us the leavers form until your final salary/wage payment has been made and this can sometimes be after you've left employment. The leavers form must include any payments made to you in arrears.**

02.



Once the leavers form has been received, and we have checked this information is correct, your pension benefits will be worked out.

A retirement pack, including forms to be completed, will be sent to you with your benefit options. You may be asked to provide 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, we'll process your benefits. A letter will then 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 are incorrectly filled, 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 received all the information from you and your employer, we'll do our best to start paying your pension from the next available pay date. Your 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.

### **Who do I contact if I don't agree with the pay information used?**

Your employer gives us the pensionable pay figures used to work out your pension benefits. If you have a query about the pay figures used, you should contact your employer.

### **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 with details about that pension payment.

## **Section 3 – Small pension pots and trivial commutation**

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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 rules which must be met to take your pension as a one-off lump sum are:



- You must be at least age 55, or age 60 in the case of a woman with a guaranteed minimum pension (GMP), or age 65 in the case of 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 in total £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've other pensions. You can commute some and leave others to provide you with 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.
- There must not have been a transfer-out of the scheme in the three years preceding the date of payment.

If all 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](http://www.gov.uk/hmrc). The Pensions Advisory Service website, [www.pensionadvisoryservice.org.uk](http://www.pensionadvisoryservice.org.uk), also has some useful information.

## Section 4 – Tax and your pension

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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

The Government confirmed that no one pays a lifetime allowance tax charge as of 6 April 2023, and that the lifetime allowance was abolished completely on 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, in addition to your pension you may also receive a lump sum payment. This is sometimes referred to by HMRC as a pension commencement lump sum or 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 where those lump sums are used to increase pension contributions, regardless of when the contributions are paid. The recycling rule applies when **all** the following conditions are met:

1. You receive a lump sum (HMRC call this this PCLS).



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

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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
- Additional regular contributions (ARCs)

### Additional voluntary contributions (AVCs)

Your contributions will stop at retirement and 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 if 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 and you're aged 50 or more and stopped paying your AVCs before you retire, or at any age if you are 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**

Any contributions you're still making towards added years will stop on retirement. If you've bought added years, you'll be given the extra membership you've paid for when you leave. This will increase 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're still making these contributions, these will stop on retirement, and you will be given the extra pension you've paid for. This will increase the value of your benefits. You have the option to give up part of your pension for a lump sum, within HMRC limits.

If you've retired on ill-health, the purchase of additional pension is treated as though paid in full. If you've left employment for any other reason, without completing the purchase, you'll be given the amount of pension paid for. This is worked out as the overall cost divided by the contributions you have made. Your additional pension will be affected by any early retirement reductions.

**Additional pension contributions (APCs)** If you've bought or are buying extra pension by paying APCs, your contributions will stop on retirement. You will be given the extra pension you've paid for. This will increase the value of your benefits.



If you've left your employment for any other reason, you'll be given the amount of pension bought. Your additional pension will be affected by any early payment reductions.

## Section 6 – Freedom & choice

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The information in the section 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 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 new flexibilities don't apply to LGPS members.

**Can I 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 and you don't have to take independent advice even if your plan value is worth more than £30,000. Your main scheme benefits can be left as a deferred benefit or taken.

## Section 7 – Frequently asked questions

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### 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 also be made slightly earlier in December before Christmas. Upcoming pay dates are listed on our website.

### Will I receive a payslip when I retire?

You can view your monthly payslips online, by logging onto My Pension Online. Please visit [www.shropshirecountypensionfund.co.uk](http://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.

### **Where can I get financial advice from?**

Your retirement can mean making important decisions, including financial ones. We aren't authorised under the Financial Services Act to give you advice. If you wish to receive independent advice you may wish to talk to a registered independent financial adviser or an organisation such as the Citizen Advice Bureau. You will need to meet the cost of any charges made for the advice.

## **Section 8 – Dispute procedure**

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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:

Head of Legal Services Shropshire Council, Shirehall, Abbey Foregate, Shrewsbury SY2 6ND.

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



Pensions Ombudsman (TPO). Contact details can be found under 'useful information and organisations'.

### **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**

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### **State Pension**

Any queries about the State Pension should be addressed directly to the DWP. [www.gov.uk](http://www.gov.uk)  
| Tel: 0800 731 7898

### **Prudential**

Prudential, Lancing BN15 8GB [www.pru.co.uk](http://www.pru.co.uk) | Tel: 0800 000 000

### **The Pensions Regulator**

Napier House, Trafalgar Place, Brighton, BN1 4DW [www.thepensionsregulator.gov.uk](http://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](http://www.gov.uk/find-lost-pension) |Tel: 0800 731 0193

### **Pensions Ombudsman**

10, South Colonnade, Canary Wharf, E14 4PU [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)  
  
|Tel: 0800 917 4487



## Contact details

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The Shropshire County Pension Fund is a data controller under data-protection law. 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, you can ask for this information from the fund, please visit [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk).

If you can read this but know someone who cannot, 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 5.00pm

**Friday** 8.45am to 4.00pm

Helpdesk phonelines are open Monday to Friday: 10am to 4pm (excluding bank holidays).

### Contact details

**Email:** [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk)

**Website:** [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

**Tel:** 01743 252130

**Write:** Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

**Website:** [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

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