

Retirement process guidance notes

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About this guide

If you are retiring, with this retirement process guide you will have been given:

- Retirement form 1
- Previous pension benefits declaration form

And if applicable, you will also receive:

- Trivial Commutation Options Form

The notes are to help you through the retirement process by explaining how to fill in your retirement option forms. These notes are for guidance only and can't be treated as a statement of law. This guide can't cover every personal circumstance and doesn't cover all members, for example if you have a protected lifetime allowance, or if your pension is subject to a pension sharing order following divorce or dissolution of a civil partnership. If there is a dispute, the appropriate law will apply. If you have any questions, our contact details can be found at the end of these notes.

How are my benefits worked out?

Along with your retirement letter and forms, you'll get a breakdown of the calculation of your pension benefits. Your LGPS retirement benefits are made up of:

- An annual pension paid monthly on the 29th of each month
- A tax-free lump sum paid on retirement. (This is automatic if you have membership before 1 April 2008.)

Membership up to 31 March 2008

Benefits in this period are built up in the final salary scheme and worked out according to length of membership and your final pay when you leave the scheme. For each year of membership, your retirement benefits are based on 1/80th of your final pay. So, if you've 20 years full time membership up to 31 March 2008, you'll get 20/80ths or one quarter of your final pay as an annual pension, plus an automatic lump sum of three times your annual pension. The calculation is:

Annual pension = $\frac{1}{80} \times \text{period of membership} \times \text{final pensionable pay (pre- 2014 definition)}$



Automatic lump sum = $\frac{3}{80} \times \text{period of membership} \times \text{final pensionable pay (pre- 2014 definition)}$

Membership between 1 April 2008 and 31 March 2014

Benefits in this period are also built up in the final salary scheme and worked out according to length of membership and your final pay when you leave the scheme. For each year of membership from 1 April 2008 to 31 March 2014, your retirement benefits are based on 1/60th of your final pay. So, if you've six years full time membership from 1 April 2008 to 31 March 2014, you'll get 6/60ths or one tenth of your final pay as an annual pension. There's no automatic lump sum, but you can give up some of your annual pension for a lump sum. For every £1 of pension given up, you would get £12 of lump sum. The calculation is:

Annual pension = $\frac{1}{60} \times \text{period of membership} \times \text{final pensionable pay (pre- 2014 definition)}$

Final salary membership up until 31 March 2014

Before the LGPS changed in 2014, your scheme membership included:

- Any membership of the LGPS worked out in years and days. This doesn't include membership you've already received an LGPS pension or deferred benefit for.
- If you've worked part-time up until 31 March 2014, your membership is reduced to its part- time equivalent length to work out retirement benefits, although calendar length is used to decide if you are eligible for a benefit.
- Any membership bought by a transfer to the scheme from elsewhere, or pension plan during this time.
- Any extra membership you've bought with additional contributions or by converting an AVC fund into membership.

Final pay used for membership up to 31 March 2014

For membership built up to 31 March 2014 when the LGPS was a final salary scheme, your final pay, under the LGPS 2008 regulations definition is used to work out your benefits. This is the pay during your final year of scheme membership, or one of the previous two years if higher. If you had a reduction in your pay after 31 March 2008 and this reduction happened within your last ten years of membership, you can choose to have your benefits worked out using the average of the best three following years over the last ten years.

The 2008 definition of final pay includes:



- Normal pay
- Shift allowance
- Bonuses
- Only contractual overtime and additional hours
- Maternity pay, paternity pay, adoption pay
- Any other taxable benefit mentioned in your contract as being pensionable

If you worked part-time during your final year, your final pay, under the 2008 definition, is the full-time equivalent that you would've had if you'd worked full-time. If your pay was reduced in this period because of sickness, your final pay will be the pay that you would've had if you'd not been off sick.

Membership from 1 April 2014

The scheme changed to a career average revalued earnings scheme (CARE) from 1 April 2014. For each scheme year (April – March), your pensionable pay for that year is divided by 49 and added to your pension account. Each following year of membership builds up the same way and is added to your pension account. Whilst you're an active member, to make sure your pension account keeps up with the cost of living, your pension is increased each year by a Treasury Revaluation Order.

Pay used for membership after 31 March 2014

For membership built up after to 31 March 2014 in the CARE scheme, the 2014 definition of pensionable pay includes:

- Normal pay
- Overtime and additional hours
- Shift allowance
- Bonuses
- Maternity pay, paternity pay, adoption pay,
- Any other taxable benefit mentioned in your contract as being pensionable

If your pay was reduced in this period because of sickness, your pensionable/CARE pay will be the pay you would've had if you'd not been off sick.



Important: Your final salary pay and CARE pay is provided by your employer. You should check your pension breakdown carefully and let us know if you think the pay information is wrong.

Retiring early and taking immediate benefits

If you're taking your pension and lump sum before your normal pension age, your benefits will normally be reduced because they are being paid early and will be paid for longer. The early retirement reductions applied to your benefits is based on guidance from Government and can be found in the table below. Where the number of years is not exact, the reduction percentages accordingly.

Early retirement reductions (last updated July 2023)

The early retirement reductions are set by the Government and may change from time to time. The rates in place at the date you take your benefits will apply.

Years early	Pension reduction	Lump sum reduction %
0	0.00%	0.00%
1	4.9%	1.70%
2	9.3%	3.30%
3	13.5%	4.90%
4	17.4%	6.50%
5	20.9%	8.10%
6	24.3%	9.60%
7	27.4%	11.10%
8	30.3%	12.60%
9	33.0%	14.10%
10	35.6%	15.50%
11	39.5%	N/A
12	41.8%	N/A
13	43.9%	N/A



Retirement form 1

On retirement form 1, we ask you for personal details such as your name, address and bank details. We also ask for your personal email address, so you can register to view your payslips and P60 information online. Your details won't be shared with any other organisation unless it's to carry out an administrative function of the fund.

We'll need you to prove your date of birth and marital status, so please make sure that copies of the certificates asked for on the form have been included. **Please do not provide original documents.**

This form also asks you to confirm any pension you wish to give up for a lump sum (or additional lump sum if you have pre-2008 service). For every £1 of annual pension you give up, you'll get £12 of lump sum. This lump sum is paid to you tax free but HMRC limits how much annual pension you can change to a lump sum. To help you, we've shown the maximum amount of pension you can give up in your letter.

You can choose to give up any amount of annual pension up to the maximum limit. If you decide to give up some of your annual pension to increase your lump sum, you are reducing your annual pension permanently. However, any survivor's benefit that may be due after retirement won't be based on the reduced pension. Any lump sum taken within HMRC limits is tax free.

Previous pension benefits declaration form

On this form, we ask you to tell us about other pension benefits you already have in payment, whether you have transferred benefits overseas, whether you are due to be paid any other tax-free lump sums on the same day as your LGPS lump sum and whether you hold any Lifetime Allowance protections.

Section 1 – Taking a lump sum

If you're not taking a lump sum from us, you only need to tick 'No' to question 1 and can then move to section 6. If you are taking a lump sum, please tick 'Yes' and move on to question 2. Please read the information on a Transitional Tax-Free Amount Certificate (TTFAC) before answering question 2.



Section 2 - Previous pension benefits

From 6 April 2024, HMRC introduced two lump sum allowances which limit the amount of tax-free cash you can take from a registered pension scheme. Most members will not be affected because the maximum lump sum they can take is much lower than the allowances, however, if the total of all lump sums you take from UK pensions is more than one of these allowances, you will have to pay extra tax. Tax on any excess will be charged at your marginal rate.

Therefore, we need to know about any pension benefits you have taken previously to check you don't exceed the lump sum limits. You will also need to give details about your LGPS pension to any other pension providers in the future. If you have built up a large pension in the LGPS or a different scheme, the new allowances may affect you.

You can find more information about the lump sum allowances at www.lgpsmember.org/your-pension/the-essentials/tax.

Section 3 - Other lump sums and overseas transfers

Don't forget to fill in this section by ticking 'Yes' or 'No' to each question and providing further details, if applicable.

Section 4 – Other tax-free lump sum(s) being paid on the same day

If you are taking a tax-free lump sum from another pension fund on the same day that your lump sum from us is being paid, you need to let us know which lump sum you wish to be deemed as being paid first. The choice you make is unlikely to affect your benefits unless you are at risk of exceeding one of the lump sum allowances. In this instance, you may wish to consult an independent financial adviser before making your decision.

Section 5 – Lifetime Allowance (LTA) Protections & Enhancements

LTA Protections - The Government reduced the lifetime allowance three times since it came into force in 2006. Each time it reduced, those people who had already built-up large pensions could apply for protection from the reduction. If you have an LTA protection, your lump sum allowances could be higher than the standard limits.

You can still apply to protect your lifetime allowance by applying to HMRC for Fixed or Individual Protection 2016. The deadline for making an application is 5 April 2025. See



www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance for more information.

LTA Enhancements - You may have applied for these if you transferred a pension to the UK from overseas or you were awarded a pension credit as part of a divorce/dissolution of a civil partnership.

Section 6 – Declaration

Please remember to hand-sign and date this form before returning it to us.

What happens next?

Once your completed forms have been received, we'll process your pension benefits for payment and send a letter to you confirming your annual pension and the payment date of your lump sum, if applicable.

We aim to send this letter within five working days after we receive your completed forms and other necessary information. If your payment/leave date hasn't yet passed, a letter will be sent to let you know that your forms have been received but we won't be processing the benefits until closer to the benefits payable date.

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

We will also confirm your payroll number, the date of your first pension payment and how to access your payslips/P60s online once we have set you up on our payroll system.

Please note that these details may be provided in a separate letter. More information can be found in 'frequently asked questions' on our website.

Trivial Commutation Options Form

If you have received the Trivial Commutation Options Form, we ask you to tell us about pension benefits you may have in other schemes so that we can check whether you meet the criteria to take your Shropshire County Pension Fund (SCPF) benefits as a one-off lump sum (trivial commutation). We have provided an expected payment date at the top of this form to indicate when we expect to be able to pay your trivial commutation. Please note that this date is subject to change depending on the information you provide us with on your



retirement forms and/or if there is any delay in receiving all the information necessary to process your benefits.

How do I know if I can take all my pension as a one-off lump sum?

The trivial commutation 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 the capital value of your pension benefits, from all your pension arrangements including company pensions/personal pensions/stakeholder pensions/retirement annuities/buy-out plans (but not State Pension), together and if they don't add up to more than £30,000, trivial commutation may be possible. Please note you must add the 'capital values' of all your pensions, not the annual pension amounts. The capital value is an assessment of how much a person's annual pension and lump sum is worth. The Government Actuaries Department create factors to be used to calculate the value. Generally, the capital value for your pension is calculated by multiplying your annual pension by 20 and adding your lump sum but please check with your pension provider to confirm the capital value of your benefits.
- All your benefits in the LGPS must be taken on or from the same date, including all benefits from other LGPS funds.

You don't have to commute all your non-LGPS pension arrangements to one-off lump sums if you have other pensions. You can commute some and leave others to give you a retirement income. However, all trivial commutations must take place within twelve months of the first one.

Other pension benefits in payment and the lifetime allowance

From 6 April 2024, the lifetime allowance was abolished. In its place, two lump sum limits have now been introduced.

In the LGPS, you can generally take up to 25% of the value of your benefits as a cash lump sum when your pension is first paid to you. The lump sum allowance is £268,275 and this limits the amount of tax-free cash you can take from your pension. The lump sum and death benefit allowance is £1,073,100.



Most members will not be affected because the maximum lump sum they can take is much lower than the new limits. If you do exceed the limit, you will have to pay tax at your marginal rate.

For more information about the new lump sum allowances, please return to the section previous pension benefits declaration form.

Is a trivial commutation lump sum taxed?

It's considered 'income' for tax purposes. The first 25 percent of the lump sum payment is tax free, but the other 75 percent will be taxed. However, if you're giving up a pension in payment, the whole lump sum is taxed. Instructions from HMRC mean the tax is taken at source and you're paid the remaining balance.

To read more about 'trivial commutation', visit HMRC's website: www.gov.uk/hmrc, or the Pensions Advisory Service website: www.pensionadvisoryservice.org.uk

If you have been given the trivial commutation form, in our letter, we'll give you at least two options:

- 1) Uncrystallised pension benefits: Instead of paying you a scheme lump sum, if this applies, and then commuting your annual pension benefits, your pension and lump sum are combined to work out the value of the one-off payment. Twenty five percent of this figure is tax-free and the rest is taxable. If you wish to take this option, please tick "Commute the uncrystallised benefits to a one-off lump sum" in section F on the trivial commutation option form.
- 2) Standard lump sum: If you wish to take your standard scheme lump sum (which is tax free) and then commute your pension into a one-off lump sum, please tick "I wish to take the standard scheme lump sum and commute the standard annual pension into a one-off lump sum"
- 3) Maximum lump sum: If you wish to take the maximum scheme lump sum and then commute your annual pension into a one-off taxable lump sum, please tick "I wish to take the maximum scheme lump sum and commute the reduced annual pension into a one-off lump sum"

Depending on the information you provide regarding other pension benefits, you may not be eligible to take your SCPF benefits as a one-off lump sum. In the final section, before you sign and date the form, we therefore ask you to make an election to give up some of your annual pension to increase your lump sum (if you have membership before 1 April 2008) or



provide a lump sum (if your membership began after 1 April 2008), in the event that a trivial commutation payment is not possible.

For every £1 of annual pension you give up, you'll get £12 of lump sum. This lump sum is paid to you tax free but HMRC limits how much annual pension you can change to a lump sum (as described above). To help you, we've shown the maximum amount of pension you can give up in your letter.

You can choose to give up any amount of annual pension up to the maximum limit. If you decide to give up some of your annual pension to increase your lump sum, you are reducing your annual pension permanently. However, any survivor's benefit that may be due after retirement won't be based on the reduced pension. Any lump sum taken within HMRC limits is tax free.

Overseas transfers on or after 6 April 2006

Don't forget to fill in the overseas transfer section by selecting either the 'yes' or 'no' option.

Recycling of your lump sum

When you take your benefits, as well as your pension you may also have a lump sum. This is sometimes called a pension commencement lump sum (PCLS) by HMRC. If you plan on using some, or all your lump sum to fund additional contributions to this 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 lump sum. **Please make sure you're aware of 'pension recycling' rules by reading the guidance on the gov.uk website.**

What happens next?

Once your completed forms have been received, we'll process your pension benefits for payment and send a letter to you confirming the benefits payable and the payment date(s). If you're not able to take a trivial commutation payment if this option has been given to you, then we will pay your benefits in line with your election in section G of the trivial commutation options form.

We aim to send this letter within five working days after we get your completed forms and other necessary information. If your payment/leave date hasn't yet passed, a letter will be



sent to let you know that your forms have been received but we won't be processing the benefits until closer to the benefits payable date.

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

We will also confirm your payroll number, the date of your first pension payment and how to access your payslips/P60s online once we have set you up on our payroll system.

Please note that these details may be provided in a separate letter. More information can be found in 'frequently asked questions' on our website.

Updating your death grant 'expression of wish'

As a retired member of the LGPS, a death grant may be due to your loved ones when you die. Please take this opportunity to check your 'expression of wish' information and make sure that any death grant that may be due goes to the right person. You can update this online; simply follow our website to 'My Pension Online', register or log in.

State pension

Along with your LGPS benefits, you may also get a State Pension paid by the Government from your State Pension age. More information on your state pension is available from the State Pension Agency.

Tel: 0345 606 0265 Website: www.gov.uk/calculate-state-pension

Pensions increase

Public service pensions such as the LGPS are increased annually in line with the Consumer Price Index (CPI) to keep up with the cost of living. Every April, we'll tell you if any increase has been applied as set by the Pensions Increase Act. The annual pensions increase is normally only paid if you're aged 55 or over, except if you've retired on ill-health. Please note, this is only applicable if you can't take your benefits as a one-off lump sum.

Appeals procedure



In accordance with Regulation 74 of the Local Government Pension Scheme Regulations 2013 (as amended), we must tell you that if you're unhappy with any decision about your rights or liabilities under the scheme, you can make an appeal application to the body responsible for the decision. This is either your employer or the administering authority (if it is a fund decision).

This is called a first stage appeal, and it must be made within six months of the event. We'd suggest that you contact the pensions team first with any matter with which you are not in agreement before starting the appeal process.

Standard forms and guidelines on the appeal process can be found on our website, or you can ask for a copy by calling 01743 252130. After you've been through the first stage, if you're still unhappy, you can apply for a reconsideration using the second stage to:

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

The Pensions Ombudsman's details can be found on our website.

Communications

Shropshire County Pension Fund has a website and a latest news section which provides information and updates about your pension scheme. We also send regular emails keeping you up to date.

InTouch

We issue a newsletter to retired members called InTouch. The newsletter features updates from us, including articles from the Pensions Manager and member representatives on the Pensions Committee and Pensions Board. If you have something you want to include in the newsletter, let us know.



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 5.00pm

Friday 8.45am to 4.00pm

Help desk phonelines are open Monday to Friday: 10am to 4pm (excluding Bank Holidays).

Contact details

Email: pensions@shropshire.gov.uk

Website: www.shropshirecountypensionfund.co.uk

Tel: 01743 252130

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

Administered by

