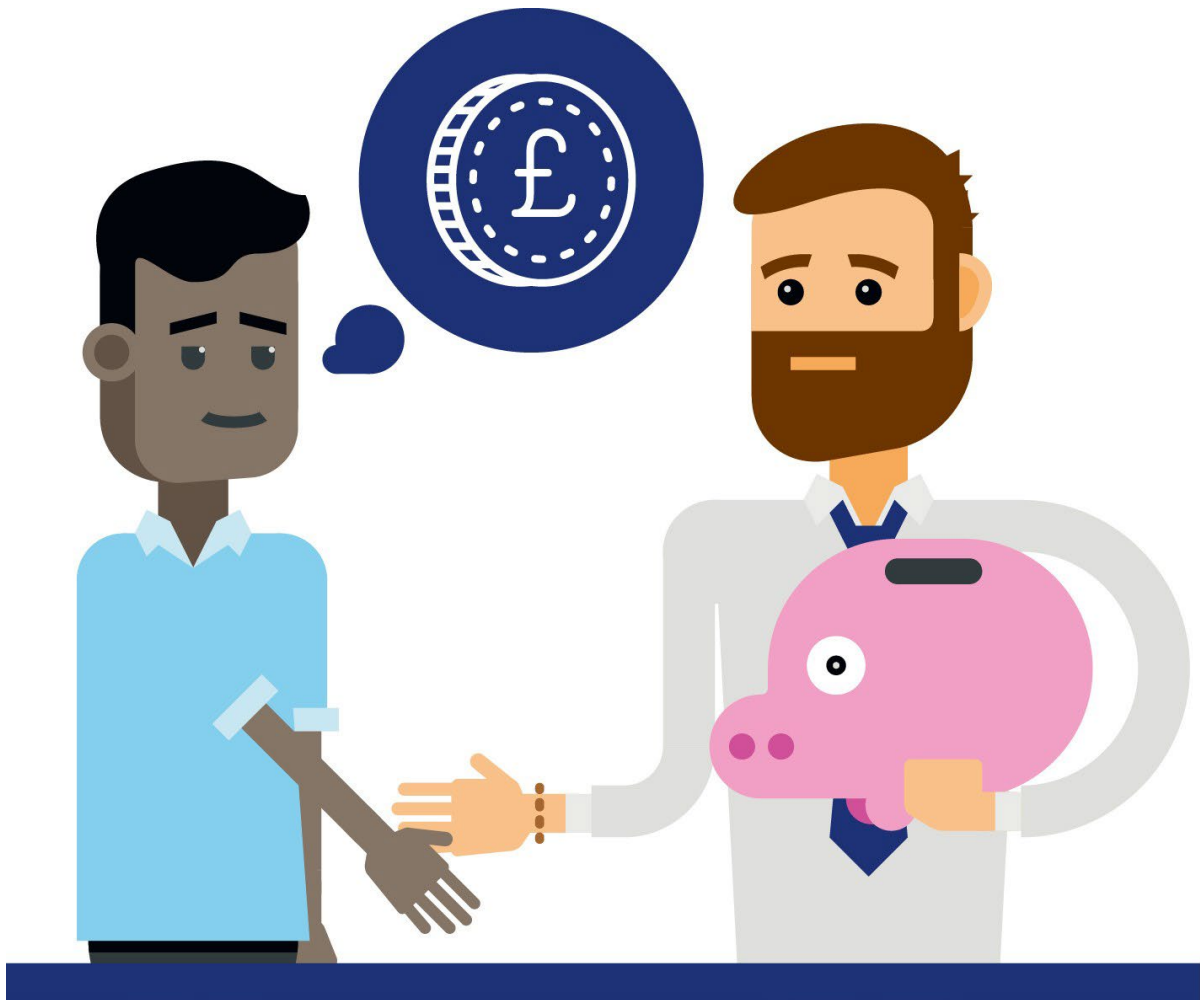

Leaving your job before retirement

What happens to your Local Government Pension Scheme (LGPS) benefits if you leave your job before retirement?

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About these notes

In these notes we look at what happens to your Local Government Pension Scheme (LGPS) benefits if you leave your job before retirement. This guide is for members leaving the LGPS after 1 April 2014.

If you leave your job before retirement and have been in the scheme for two years or more, you'll have built up pension benefits.

You've two options for these benefits:

- You can keep them in the LGPS. They become deferred benefits and are increased every year in line with the cost of living.
- Transfer your deferred benefits to another pension scheme.

This guide can't cover every circumstance, and if there's a dispute, the appropriate law will apply. It doesn't give you any rights under a contract by law. Contact us or visit our website if you are unhappy about a decision made about your LGPS pension.



What happens to my benefits once they're deferred?

If you stop paying LGPS contributions before you retire, we work out your pension benefits for you. This becomes a deferred pension (one that you delay taking). The benefits in your account are held in the LGPS until they are due to be paid, or you decide to transfer them to another pension scheme.

Your deferred benefits are made up of an annual pension, paid throughout your retirement, and the option at retirement to give up some pension for a one-off tax-free lump sum. They also include life cover and financial protection for your family.

How are deferred benefits worked out?

Your deferred benefits are worked out as:

- **Membership from 1 April 2014:** Your deferred pension for your membership from 1 April 2014 is the value of the pension you've built up in your active pension account at the point of leaving. This is worked out as $\frac{1}{49}$ th of the pay you have paid contributions on for each scheme year (April – March)
- **Membership between 1 April 2008 and 31 March 2014:** This part of your deferred pension for any membership between 1 April 2008 and 31 March 2014 is worked out by dividing the period of membership between those dates by 60 and multiplying by your final pay on leaving.
- **Membership before 1 April 2008:** The part of your deferred pension for any membership before 1 April 2008 is worked out by dividing the period of any scheme membership you have before that date by 80 and multiplying by your final pay on leaving.

As a deferred member, you can see what pension benefits you've built up so far and work out how much you could receive at retirement, by logging in to 'My Pension Online' and using our benefit calculators.



Tax free lump sum

If you've got membership before 1 April 2008 you'll have an automatic tax-free lump sum. This is three times your pension for your membership before 1 April 2008.

If you weren't in the LGPS before 1 April 2008, or you were and want to increase your automatic lump sum, you can give up some of your annual pension for a lump sum. You'll get £12 for each £1 of annual pension given up. You can take up to 25% of the capital value of your pension benefits as a lump sum.

What if I've paid extra contributions?

If you've paid extra contributions, these will stop when you leave the LGPS. You'll benefit from these extra contributions when we work out your deferred benefits.

If you're paying additional pension contributions (APCs) or additional regular contributions (ARCs) you'll be granted the extra pension at the time of leaving. This will increase the value of your deferred benefits or any transfer value.

Buying extra years in the LGPS (added years)

You'll be granted the extra membership that you've paid for at the time of leaving. Your deferred benefits or transfer value will increase and extra benefits will be worked out based on the rules in place when you agreed to buy extra years.

If you move to a new employer in the LGPS in England or Wales within 12 months of leaving, you can carry on paying additional contributions. However, you must also pay to cover the period between leaving and starting your new job and join your pension benefits together. Contact your new LGPS administrator within three months of re-joining the LGPS to arrange this.

Paying additional voluntary contributions (AVCs)

The value of your AVC fund will continue to be invested until it is paid. Your AVC plan can be transferred to another pension scheme or taken at the same time as your LGPS benefits. As you can't pay AVCs after leaving, any extra cover paid for through AVCs will stop.



Paying additional contributions to buy extra survivor's pension

Any pre-6 April 1988 membership you've paid extra for at the time of leaving, will be included when working out the survivor's pension.

When can I take my deferred benefits?

Your deferred benefits are paid at your normal pension age (NPA) in the LGPS. Your NPA is unique to you and based on when you left the scheme. If you left:

- after 1 April 2014, your NPA is linked to your State Pension age;
- between 1 October 2006 and 1 April 2014, your NPA is 65; or
- before 1 October 2006, your NPA is normally 65 but could be as early as 60.

You can take your benefits:

- reduced, at any age between 55 and your NPA (see the note below);
- unreduced, at your NPA;
- with increases after your NPA and up to age 75 (but if you left the LGPS before 1 April 1998, you must take your pension by the time you reach your NPA); and
- unreduced, at any age before your NPA if you are given access to them because of ill health.

Note: The Government has announced that the earliest age you can take your pension, other than for ill-health reasons, will increase to 57 from 6 April 2028. If you joined the LGPS before 4 November 2021, or if you transferred a previous pension into the LGPS and meet certain conditions, you should keep the right to take your benefits from age 55. The Department for Levelling Up, Housing and Communities is still working on the details.

Early payment of deferred benefits

You can take early payment of your deferred benefits from age 55, if you have left the job those benefits are linked to. You don't need your former employer's agreement to take your pension before your NPA.

If you take your deferred benefits before your NPA, they'll normally be reduced because your pension will be paid for longer. The following table shows the percentage your pension will be reduced by if you take it earlier than your NPA.



Number of 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%	Does not apply
12	41.8%	Does not apply
13	43.9%	Does not apply

The Government changed the reductions on 3 July 2023. The reductions shown above apply to retirements from that date.

Your former employer can agree to remove the reduction if they wish. This is an 'employer discretion' and you can ask your employer what their policy on this is.

If you've built up pension in the LGPS before 1 April 2014, protections are in place for the normal pension age that applies to those benefits. Also, if you were a member of the LGPS on 30 September 2006, some or all your benefits could be protected from the early payment reduction if you're a rule of 85 member.

Early payment of deferred benefits due to ill-health

If you can't work because of ill health, you may be able to have your benefits paid in full, with no reductions, whatever your age. For your application to be approved, you must be permanently incapable of doing the job you were in when you stopped paying LGPS contributions and your benefits were deferred.

You will need to contact your former employer if you think this applies to you. They must ask an approved independent registered medical practitioner for an opinion to help make the decision.



What happens to my deferred benefits if I die?

A lump sum death grant may be due to your loved ones.

If you stopped paying LGPS contributions before 1 April 2008, the death grant is three times your deferred pension. If you stopped paying contributions on or after 1 April 2008, the death grant is five times your deferred pension. If you are also still paying LGPS contributions for a different job at the time of your death, only the highest death grant will be paid.

Visit our website and log in to the secure members' area, My Pension Online, tell us who you'd like the death grant to be paid to.

A survivor's pension may also be paid to your dependents, such as:

- your husband, wife or registered civil partner;
- any eligible children; or
- someone you live with as if you were married (if you were still paying LGPS contributions on or after 1 April 2008).

How do my deferred benefits keep their value?

Each April, the value of your deferred benefits is adjusted, based on the Consumer Price Index (CPI) as at the previous September.

Can I transfer my deferred benefits to another pension scheme?

If you meet certain conditions, you may be able to transfer your deferred benefits to another pension scheme. You can't transfer your benefits if you leave less than one year before your normal pension age. If you transfer, you'll not get any further benefits from the LGPS for yourself, or your family.

Your new pension scheme will need a transfer value quote (sometimes known as a CETV) which we can give you. This quote is guaranteed for three months from the date it's worked out. Your new pension providers can then tell you what benefits the transfer will buy in their scheme. If you want to continue with the transfer, a written statement saying you want to go ahead must be sent to us within the three-month guarantee period.



If you're thinking about whether to transfer benefits, make sure you've information about the two pension schemes. You'll need details of what your benefits are worth in the LGPS and details of what your benefits would be worth in the new pension scheme if transferred.

Transfers to public sector schemes usually give benefits like those in the LGPS. This is known as the club transfer rules. To meet these rules, you must apply for the transfer within twelve months of joining your new pension scheme, and not had a continuous break in active membership of a public service pension scheme of more than five years.

Transferring your pension is an important decision and one that you should think about carefully. We recommend that you speak to an independent financial adviser first. You must take advice from an independent financial adviser (registered with the Financial Conduct Authority), if the value of your LGPS benefits is over £30,000. You can find independent advisors on the following websites: FCA register, Personal Finance Society Website, The Association of Professional Financial Advisors, or the local Citizens Advice Bureau.

Freedom and choice

Changes in the law brought in by the Pensions Act 2015 mean that many members of UK pension schemes offering defined contribution (DC) benefits can take their pension as a lump sum, or at different stages. Only 25% of the cash taken will be tax-free. The LGPS is a defined benefit (DB) scheme. This means these options don't apply to our members.

What happens if I change jobs but stay in the LGPS?

If you're changing your job, but still working for an employer offering the LGPS, or if you re-join the LGPS before your deferred benefits are paid, your deferred benefits are automatically joined with your new active pension account. If you want to keep your deferred benefits separate, you must tell us within twelve months of re-joining. Your employer can allow you longer at their discretion.

What if I have two or more LGPS jobs?

If you have two or more jobs, any deferred benefits will be moved to the active pension account for the job you're continuing in. If you want to keep your deferred benefits separate, you must tell us within twelve months of re-joining the LGPS. Your employer can allow you longer at their discretion.



If you have two or more jobs where you pay into the LGPS and you leave one (or more) but not all of them, you can't have a refund of your contributions from the job (or jobs) you've left. Instead, we'll transfer your benefits to the job you're continuing in.

How do I update my personal details?

You can update your information by logging in to My Pension Online. If you need to change your name, partnership status or gender, we need to see a scan/ photocopy of the relevant legal document. You can also upload them to My Pension Online. Or you can scan the certificate or take a photo of it and email it to pensions@shropshire.gov.uk.



Contact Details

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.

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

Website: www.shropshirecountypensionfund.co.uk

Tel: 01743 252130

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

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