

Local Government Pension Scheme (LGPS) Planning for Retirement

- your pension, payment and related issues

Introduction

The time may be approaching for you to receive your pension from the Local Government Pension Scheme (LGPS). You may, however, only be considering the possibility of leaving your job. This leaflet has been produced to provide information to you about issues related to your pension benefits.

The pension you have built up in the scheme before April 2014 is protected. This means that your pension, based on your membership before the scheme changed, will continue to be based on your final pay when you leave. Your Normal Pension Age is also protected, which means that the benefits you built up before April 2014 retain their Normal Pension Age under final salary scheme rules. For almost all members that is age 65.

Protection is in place to ensure your final pay is used when you leave, to work out your pension on membership up to 31 March 2014. This means that any future pay increases will be included in the final pay used to work out these benefits.

The definition of final pay for benefits built up before April 2014 remains the same as it was before the Scheme changed and if you have protection to use earlier pay (because of a reduction or restriction in pay) then this protection continues in the new scheme.

You cannot take your benefits built up to April 2014 separately from the pension you build up from April 2014. All your pension would have to be drawn at the same time.

As already mentioned, the pension you have built up before 1 April 2014 has a protected Normal Pension Age, which for almost everyone is age 65. If you retire and draw your pension at your protected Normal Pension Age, the pension benefits built up in the scheme before 1 April 2014 will be paid in full. If they are paid before your protected Normal Pension Age, your pre 1 April 2014 final salary benefits are reduced, and if paid after your protected Normal Pension Age, your pre 1 April 2014 final salary benefits are increased because they are being paid later.

When can I take my pension?

You will be able to choose to retire and draw your pension at any time between age 55 and 75 (but normally need at least 2 years membership to be entitled to a pension).

The Government has announced the earliest age that you can take your pension will increase from age 55 to 57 from 6 April 2028. This will not apply to ill health retirements. Special rules apply if you have to retire because of ill health.

For the pension you build up from 1 April 2014, your Normal Pension Age is not fixed at age 65 but, instead, is the same as your State Pension Age (with a minimum of age 65). You can check your Normal Pension Age by looking up your current State Pension Age, visit: <https://www.gov.uk/check-state-pension>. The amount of any reduction or increase will be based on how many years earlier or later than your Normal Pension Age you draw your benefits.

Your pension can be paid early if your employer decides you are permanently unable to perform the duties of your job due to ill health and you are not immediately capable of undertaking other gainful work.

If you are made redundant or lose your job for business efficiency reasons when aged 55 or over, your pension will be payable immediately, with no reduction for early payment.

As a guide, the percentage reductions for retirement up to 13 years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

	Pension Reduction %	Retirement Grant Reduction %
Years Early	All Members	All Members
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%	N/A
12	41.8%	N/A
13	43.9%	N/A

The final calculation

When you leave, your pension is calculated by the Pensions Admin Team. Your employer must therefore provide all the necessary information about your cessation of employment to the Admin Team. This includes details of the pay upon which you have paid pension contributions during your final year of scheme membership. Although the Admin Team always wishes to pay your pensions as quickly as possible, it is dependent upon the payroll function of your employer to provide the pay information. Until all wages or salary have been paid to an employee it is not possible to calculate the pay figure upon which the pension is based.

Your conversion options

Once your retirement pension becomes due for payment, we will contact you setting out your pension entitlement and the payment options available to you. For example, under the current (2006) HM Revenue & Customs (HMRC) rules you can elect to give up part of your pension to provide an additional tax free, lump sum at the rate of £12 lump sum for each £1 of pension given up. Please note that you can only increase your lump sum up to the permitted maximum under current HMRC rules. If you left employment before 6 April 2006 there may be additional conversion options available to you.

Your retirement pack will be uploaded to our online portal, Member Self Service (MSS) and we will email you when it is accessible. The pack contains the following forms for you to complete and return to us:

- Personal details / Declaration of Status
- Pension & lump sum option election form
- Lifetime Allowance (LTA) Declaration
- Bank account details for payment of monthly pension and lump sum grant

Notification and payment

Your monthly payment of pension will be processed for the next available payroll period. Payments are made on the last working day of each month. If you have elected for a lump sum payment, we aim to raise this within 10 working days of receipt of the completed forms.

Please see our website for a full breakdown of payment dates:

<https://isleofwightpensionfund.org/your-pension/pensioners/pension-payments/>

Once in payment of pension, your monthly payment advice slip will be available to view on our online portal, MSS. We will also upload your End of Year P60 Certificate to the portal by the 31 May each year.

Additional Voluntary Contributions (AVCs)

You may have paid AVCs as an investment for your retirement. Once your Local Government pensions is put into payment, the AVC fund must be used to provide an additional pension and/or tax-free lump sum, unless you take flexible retirement when you can defer drawing your AVC pot until you eventually fully retire. Please note it may take up to 20 working days for any AVC fund to be disinvested by the provider.

Tax issues

Although your lump sum is tax free, your pension counts as taxable income. Your personal circumstances, and any other income which you receive, will determine whether tax will be deducted from your pension.

We share data with the HMRC using real time information (RTI), so your first month's pension details and all subsequent payment details will be shared on an ongoing basis. We receive electronic notifications of any change in tax code changes and they will be applied to the next available payment period. If a refund of tax is due it will be paid when the revised code is first applied to your pension.

The state retirement pension and other state benefits, such as Income Support, count as taxable income. State pension is however paid without tax being deducted. Any tax due is therefore normally collected from the occupational pension payable to you.

If you are receiving more than one occupational pension, or if you are working for another employer, then you should contact the HMRC to discuss any tax implications further. You can contact them by calling 0300 200 3300.

Re-employment

If you take up further employment, your pension payable by the IWPF is not affected even if you again work in local government, or for an employer who participates in the LGPS.

Changes in the future

All notifications of a change in address or bank account must be confirmed in writing to the Admin Team before the change can be implemented. Change of circumstance forms are available from our website: <https://isleofwightpensionfund.org/resources/>. Any changes will be effective from the next available payment run.

Increases to pensions

Qualifying conditions

A pension which is in payment can be increased if:

- you are a pensioner and at least 55;
- you are below age 55 and cease employment on the grounds of permanent ill-health;
- you are below age 55 and since leaving have become permanently incapacitated and unable to engage in regular full-time employment.

Annual increases

Pensions normally attract percentage increases each April which are equal to the percentage rise in the Consumer Price Index during the 12 months to the 30 September preceding the April increase. The increase awarded in the first year of payment is a proportion of the number of completed months between the date your employment ceased and the date from which the increase is payable.

Relationship with the State retirement pension

Pensions awarded in respect of membership between 6 April 1978 and 5 April 1997 normally include a guaranteed minimum pension (GMP) which satisfies the requirements for contracting-out of the State Earnings-Related Pension Scheme. When annual percentage increases are awarded after you attain state retirement age, the increase to your GMP is normally paid by the State. However, the guaranteed minimum which is attributable to membership between 6 April 1988 and 5 April 1997 does attract an increase paid by the scheme. This is the lesser of the annual percentage rise in the Consumer Price Index, or 3 per cent.

Death benefits for a surviving spouse or partner

A qualifying pension for a surviving spouse or partner will be payable from the day after the date of your death and is payable for life. Any entitlement will be paid at the calculated rate however only membership after 5 April 1988 is used in this calculation, unless the employee had made an election to have all or part of their earlier membership used in the calculation of a pension for any survivor.

A lump sum death grant will be payable if a pensioner dies within 10 years of leaving. An amount equal to 10 years pension, less any pension payments already made, will be paid.

Checking your entitlement to state pension

To qualify for the basic state pension you have to pay, or be credited with, sufficient National Insurance Contributions (NICs) during your working life. Your entitlement to the basic state pension may be affected if there are gaps in your NICs record. You may wish to consider filling the gaps by paying extra NICs.

Contact Us

If you would like further information about the LGPS, you can contact us:

Post: LGPS Admin Team, Isle of Wight Council Pension Fund,
County Hall, Newport, Isle of Wight PO30 1UD

Email: pensions@iow.gov.uk

MSS online portal: <https://www.iwcpensions.co.uk>

Telephone: 01983 823626

Website: IWPF <https://www.isleofwightpensionfund.org>