

Local Government Pension Scheme

PEN 19

Retirement Guide





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Your Local Government Pension Scheme (LGPS) Retirement Benefits

IMPORTANT

Early retirement before age 60 is only permissible with your employer's prior approval.

If you are aged 55 or over, benefits are payable immediately if you are made redundant or retired on the grounds of business efficiency.

Benefits may be payable on health grounds at any age if your employer, based on an opinion from an independent occupational health physician, is satisfied that you will be permanently unable to do your own job and that you have a reduced likelihood of being capable of gainful employment before age 65.

Flexible retirement may be available from age 55 if you reduce your hours or move to a less senior position. However, you would require your employer's consent.

Your employer will have a policy on how they deal with the above applications. If you would like details of their policy, please contact your employer directly.



Introduction

You will receive a guaranteed package of benefits when you retire.

In this booklet we look at how your retirement benefits are worked out and when you can retire if you pay into the LGPS on or after 1 April 2008.

Where pension terms are used, they appear in **bold italic** type. These terms are defined at the end of this booklet.

Your LGPS benefits are made up of:

- An **annual pension** that, after leaving, increases every year in line with the cost of living for the rest of your life, and
- The option to exchange part of your pension for a **tax-free lump sum** paid on retirement.

The two main factors used to calculate your LGPS pension are:

- your **membership** in the Scheme, and
- your **final pay**.

If you joined the LGPS on or after 1 April 2008, for each year of membership you receive a pension based on 1/60th of your final pay – so if you have 40 years membership from this date you get 40/60ths or two thirds of your final year's pay as an annual pension.

If you joined the LGPS before 1 April 2008, your benefits for membership before 1 April 2008 are calculated differently. See Page 6 for more information.

Membership

The first important element used in working out your pension is your **membership**. This normally includes:

- How long you have been a member of the LGPS worked out in years and days, but excluding:
 - membership for which you already receive an LGPS pension or hold an LGPS deferred pension
 - membership from any concurrent job you may have, and
 - any LGPS membership in respect of which you have received a refund or have transferred the pension rights to another scheme.
- Membership purchased by a transfer from another scheme.
- Any extra membership you have bought with additional contributions or by converting in-house Additional Voluntary Contributions (AVCs) into membership.
- Any extra membership awarded by your employer.
- Any extra membership awarded by the Scheme if you are retired because of permanent ill health.

This could be different from your actual calendar length membership of the LGPS. For example:

If you work part-time, although the calendar length of your membership is used to decide if you are eligible for a benefit, your membership is reduced to its whole-time equivalent length to calculate the amount of your retirement benefits. For example, if you work half-time for 10 years, your benefits would be calculated on 5 years membership.

If you have transferred membership from the LGPS in Scotland or Northern Ireland, it may not count at its actual calendar length.

Final Pay

The other important element used in working out your benefits is your **final pay**.

This is usually the pay in respect of the final year¹ of scheme membership on which you paid contributions, or one of the previous 2 years if this is higher, and includes your:

- normal pay
- contractual shift allowance
- bonus
- contractual overtime
- Maternity Pay, Paternity Pay, Adoption Pay, and
- any other taxable benefit specified in your contract as being pensionable.

This may not include all your pay. We don't include non contractual overtime, travelling or subsistence allowances, pay in lieu of notice or pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

If you are working part-time when you leave the LGPS, or worked part-time at some point during your last year of membership, your final pay is the whole-time pay that you would have received, if you had worked whole-time.

If your pay is reduced in this period because of sickness, your final pay will be the pay that you would have received if you had not been off sick.

If you have maternity, paternity or adoption leave in this period for which you paid (or are deemed to have paid) pension contributions, final pay includes the pay you would have received had you not been on maternity, paternity or adoption leave.

¹ Grossed up to a full year's pay if you did not receive pay for a full year.

If your pay is reduced or increases to your pay are restricted in your last 10 years of continuous employment with your employer because you downgrade or move to a job with less responsibility, or as a result of a job evaluation / equal pay exercise, or because of a change to what is specified as pensionable pay in your contract, or is restricted for some other reason, you may have the option to have your final pay calculated as the average of any 3 consecutive years' pay in the last 13 years (ending on a 31 March). Such an option must be made to Notts LG Pensions Office no later than one month before leaving. You cannot make use of this option to use earlier years' pay in working out your benefits if the reduction or restriction to your pay was as a result of the loss of a temporary increase in pay, or resulted from a reduction in your grade in order to take retirement benefits on flexible retirement.

If your pay was reduced or restricted for reasons beyond your control before 1 April 2008 and you were issued with a certificate of protection from your employer and you leave the LGPS within 10 years of the reduction or restriction in your pay, then, if still relevant, we will work out your final pay as the best year's pay in the last 5 years, or the average of the best consecutive 3 years in the last 13 years after allowing for inflation. Contact Notts LG Pensions Office if you require further details.



How are my retirement benefits worked out?

For membership you build up after 31 March 2008:

Your annual pension is calculated by dividing your total membership by 60 and multiplying this figure by your final pay.

You can take a tax-free lump sum by giving up some of your annual pension. You can take up to 25% of the capital value of your LGPS benefits as a lump sum². For every £1 of annual pension that you give up you will receive £12 lump sum. In the same way, giving up £100 of your annual pension would give you £1,200 lump sum, and so on.

The option to give up pension to receive a tax free lump sum is only available before the retirement is processed. We cannot change the amounts payable once we have received your decision. You may wish to take Independent Financial Advice before making your decision.

Here are examples of how your pension and lump sum option are worked out for membership after 31 March 2008:

If you work full-time

Let's look at someone retiring at age 65 with 20 years full-time membership in the Scheme and a final years pay of £18,000.

Their annual pension is:

20 years x 1/60th x £18,000 = **£6,000**

If they decide to give up £1,500 pension for a tax-free lump sum, then:

Their **reduced annual pension** is:

£6,000 less £1,500 = **£4,500**

And they will get **a tax-free lump sum** of:
£1,500 x 12 = **£18,000**

² Limited to £450,000 (2011/2012 figure) less the value of any other pension rights you have in payment.

If you work part-time

The same calculation is used, but your membership is scaled down to the whole-time equivalent length based on your contractual hours and your final pay is scaled up to the whole-time equivalent rate.

Let's look at someone retiring at age 65 after 20 years working half-time i.e. 18½ hours a week in a job where the full-time hours would be 37 per week and with a part-time final pay of £9,000.

Membership to be used in calculating benefits is reduced like this:

20 years x 18½ ÷ 37 = 10 years

And we would use a whole-time equivalent pay, so their annual pension is:

10 years x 1/60th x £18,000 = £3,000

If they decide to give up £750 pension for a tax-free lump sum, then:

Their **reduced annual pension** is:
£3,000 less £750 = **£2,250**

And they will get a **tax-free lump sum** of:
£750 x 12 = **£9,000**

They will have paid half the contributions and receive half the benefits of an equivalent whole-time person.

If your hours have changed during your membership of the Scheme, your benefits will be calculated to reflect the changes. If you do not have any contractual hours, your membership for each year in the LGPS will be calculated on average weekly hours worked during each year.

Your benefits can be reduced or increased, depending upon your reason for retirement – see the section **When you can retire and draw your benefits**. There are HM Revenue and Customs controls on the pension savings you can have before you become subject to a tax charge – see **More about your LGPS retirement benefits**.

If you joined the LGPS before 1 April 2008 your benefits for membership before 1 April 2008 are calculated differently. For LGPS membership you have built up to 31 March 2008 you receive an annual pension based on 1/80th of your final pay and an automatic tax-free lump sum of three times your pension. Like the pension, the automatic lump sum is based on your LGPS membership before 1 April 2008 and your final pay. You can also exchange part of your pre April 2008 pension for extra lump sum as described previously.

Let's look at someone who has 8 years membership up to 31 March 2008 and 24 years membership after then when they retire at age 65. Their final year's pay on retirement is £20,000.

Benefits based on their 8 years membership up to 31 March 2008

Their **annual pension** is:
8/80ths x £20,000 = **£2,000**

Plus an **automatic tax-free lump sum**:
3 x 8/80ths x £20,000 = **£6,000**

Benefits based on their 24 years membership from 1 April 2008

Their **annual pension** is:
24/60ths x £20,000 = **£8,000**

To give total benefits of:

An **annual pension**
£2,000 plus £8,000 = **£10,000**

Plus a **tax-free lump sum** = **£6,000**

What options do I have on retirement?

You may be able to alter your standard retirement package by:

Taking a lump sum

As mentioned earlier, on retirement you will be able to take part of your benefits as a tax-free lump sum by giving up some of your pension. An option to take a lump sum has to be made in writing before your benefits are paid. So that you have plenty of time to make up your mind and seek financial advice if you wish, it is important you contact Notts LG Pensions Office well in advance of your intended retirement date so we can provide you with more details.

Your pension will be reduced in accordance with any election you make to receive a lump sum. Any subsequent pension for your husband, wife, **civil partner, nominated co-habiting partner** or children will not be affected if you decide to exchange part of your pension for a lump sum.

If you have a Guaranteed Minimum Pension (**GMP**), you may not reduce your pension to below the level of your **GMP**.



What if I am paying extra?

If you are buying extra LGPS pension by paying Additional Regular Contributions (ARCs) you will be credited with the extra pension that you have paid for. This will increase the value of your retirement benefits.

But if you are paying ARCs when you retire and qualify for the type of ill-health pension where your benefits are based on enhanced membership, you will be credited with all the extra pension that you set out to buy, even if you have not completed full payment for it.

If you retire early and draw your benefits before age 65, or you are retired on redundancy or business efficiency grounds, the extra pension you have bought will be reduced for early payment.

If you draw your benefits on flexible retirement, you will be able to draw the extra pension you have paid for, although it will be reduced for early payment.

You can choose to exchange some of the extra pension you have bought for a cash lump sum in the same way as your main LGPS pension.

If you are buying extra years in the LGPS (Added Years) you will be credited with the extra years of membership that you have paid for and you will receive extra retirement benefits calculated on the same basis that you agreed to buy them – but see below for the rules on flexible retirement.

If you retire on ill-health grounds whilst paying for extra years, you will normally be credited with the whole extra period of membership that you set out to buy, even if you have not completed full payment for it.

If you retire early because of redundancy or business efficiency whilst paying for extra years, you will have the opportunity to pay the remaining contributions due in a lump sum in order to complete your contract provided you retire at least 12 months after making your election to pay extra.

If you draw your benefits on flexible retirement and you continue to pay for any extra years you are buying, the benefits from these extra years will not

be paid until you finally retire. However, if you opt to stop paying the extra contributions **before** you take flexible retirement you will be credited with the extra years of membership that you have paid for and this will increase the value of your benefits paid on flexible retirement.

If your benefits when you draw them are reduced for early payment then your benefits from the added years are reduced in the same way.

If you are paying in-house Additional Voluntary Contributions (AVCs) arranged through the LGPS (in-house AVCs), your contributions will cease when you retire (or cease two days before age 75 if you carry on in work beyond that age).

Here are the different ways you can use your in-house AVC Fund:

- **Buy an Annuity**

This is where an insurance company, bank or building society of your choice takes the value of your AVC Fund and pays you a pension in return.

You can do this at the same time as you draw your LGPS benefits or you may be able to choose to delay payment until any time up to the eve of your 75th birthday. An annuity is paid completely separately from your LGPS benefits.

The amount of 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 a flat-rate pension or one that increases each year, and whether you also want to provide for dependants' benefits in the event of your death.

Annuities are subject to annuity rates which in turn are affected by interest rates. When interest rates rise, the organisation selling annuities is able to obtain a greater income from each pound in your AVC fund, and therefore can provide a higher pension. A fall in interest rates reduces the pension which can be purchased.

- **Buy a Top-up LGPS Pension**

If you retire with immediate payment of your benefits you may be able to use some or all of your AVC fund to buy a top-up pension from the LGPS. This automatically provides inflation proofed pension and possibly dependants' benefits and is based on set purchase factors which do not tend to change.

- **Buy extra membership in the LGPS**

If your election to start paying AVCs was made before 13 November 2001 you may be able in certain circumstances such as retirement on ill-health grounds or on ceasing payment of your AVCs before retirement, to convert your AVC fund into extra LGPS membership in order to increase your LGPS benefits. Contact Notts LG Pensions Office for further details.

- **Take your AVCs as cash**

If you draw your AVCs at the same time as your LGPS pension, you may be able to take some or all of your AVCs as a tax-free lump sum.³ If you are interested in this option, it is very important that you contact Notts LG Pensions Office BEFORE you complete your Pension Application form.

You can elect to take your accumulated AVC fund as a tax free cash lump sum, provided that the total value of any lump sum you receive from the fund does not exceed 25% of the capital value of your pension benefits (that is the total of your main scheme benefits plus your AVC fund). In practice this means that many members take their entire AVC fund as tax free cash.

To calculate the capital value of your pension benefits, the annual pension payable needs to be multiplied by 20 and added to any lump sum due. To this, you then need to add the value of your AVC fund. The maximum tax free lump sum that may be taken is 25% (one quarter) of this total. This should only be considered a rough guide if you are converting pension to lump sum (currently available in the LGPS at 1:12) on retirement, as the final calculation will use your reduced pension after conversion.

³ Provided, when added to your LGPS lump sum it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund) and the total lump sum does not exceed £450,000 (2011/2012 figure) less the value of any other pension rights you have in payment.

If you are looking to take the maximum lump sum from your AVC fund and it is likely that the fund value will exceed this amount, then you should state how you would like to use the remainder of the fund.

If you are able to take the whole of your AVC fund as a lump sum, and would like to further increase the lump sum element by converting some of your annual pension into lump sum, your order of preference needs to be clear on your application form. If necessary, you can attach a full explanation of your requirements to the application form. It is helpful if you include a telephone number in case we need clarify any points.

You can defer taking the AVC benefits until age 75 at the latest. However, you may not continue paying into your AVC once you have retired and you will not be able to take more than 25% of the value of the AVC fund as cash when you do opt to receive it. You will also not be able to use it to buy additional LGPS pension, and instead must use any part of the fund not taken as cash to buy an annuity from an external pension provider.

If you are paying for extra life cover through AVCs

Any extra life cover paid for through AVCs will stop on leaving (or cease two days before age 75 if you carry on in work beyond that age). You can no longer pay AVCs after leaving / after age 75.



More about your LGPS retirement benefits

What are the HM Revenue and Custom tax controls on my LGPS benefits?

There are HM Revenue and Customs controls on the pension savings you can have before you become subject to a tax charge (over and above any tax due under the PAYE system on a pension in payment).

Annual allowance

This is the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge. Years run from 1 April to 31 March.

The annual allowance for 2011/2012 is £50,000. However, a three year carry forward rule allows you to carry forward unused annual allowance from the last three tax years.

Lifetime Allowance

The lifetime allowance is the total value of all pension benefits you can have without triggering an excess benefits tax charge. If the value of your pension benefits when you draw them (not including any state retirement pension, state pension credit or any spouse's, civil partner's or dependant's pension you may be entitled to) is more than the lifetime allowance, or more than any primary lifetime allowance protection or enhanced protection you may have (see the Full Guide for explanation), you will have to pay tax on the excess benefits. The lifetime allowance covers any pension benefits you may have in all tax-registered pension arrangements – not just the LGPS.

The lifetime allowance for 2011/2012 is £1.8million. The Government has announced that the lifetime allowance will reduce to £1.5 million in 2012/13.

When any LGPS benefit, or any other pension arrangement you may have, is put into payment you use up some of your lifetime allowance – so even if your pensions are small and will not be more than the lifetime allowance you should keep a record of any pensions you receive.

If your LGPS benefits are more than your lifetime allowance or, if you have registered for them, your primary lifetime allowance protection or enhanced

protection, you will have to pay tax on the excess. If excess benefits are paid as a pension the charge will be 25%, with income tax deducted on the ongoing pension payments; if the excess benefits are taken as a lump sum they will be taxed once only at 55%.

Further information on the annual allowance and the lifetime allowance can be found in the Full Guide to the Scheme available on our website or by contacting Notts LG Pensions Office.

Notts LG Pensions Office will let you know the value of your LGPS benefits on retirement and ask you about any other pensions you may have in payment, so they can work out whether or not to deduct a recovery tax charge. If you do not provide this information promptly it could delay the payment of your pension.

Under HM Revenue and Custom rules, if the LGPS makes an unauthorised payment or if you pay some or all of your LGPS lump sum back into a pension arrangement, there may be a tax charge.

How does my pension keep its value?

Your LGPS pension increases in line with the cost of living every year throughout your retirement. As the cost of living increases, so will your pension.

Guaranteed Minimum Pension (GMP)

If your membership in the LGPS includes a **Guaranteed Minimum Pension (GMP)**, then at age 60 (women) / 65 (men) or at the date of your retirement if later, your LGPS pension for membership prior to 6 April 1997 will be compared with your **GMP** and increased to the rate of your **GMP** should this be higher. In most cases, your LGPS pension is higher than your **GMP**.

If you retire and choose not to draw your pension immediately, the **GMP** element (if any) of your pension must be paid from age 60 (women) / 65 (men), unless you are still in some employment at that time and consent to the postponement of the payment of your **GMP**.

Pension Sharing Order / Earmarking Order

If your LGPS benefits are subject to a Pension Sharing Order or Earmarking Order issued by the Court following divorce or dissolution of a **civil partnership**, or are subject to a qualifying agreement in Scotland, your benefits will be reduced in accordance with the Court Order or

agreement. For more information see the section on **Pensions and Divorce or Dissolution of a Civil Partnership** of the Full Guide to the Scheme, available on our website.

What if I get another job after I retire?

In most circumstances pensions are not reduced. However, there are exceptions. Contact Notts LG Pensions Office for further guidance. If you get a job outside of local government with an employer that does not participate in the LGPS, your LGPS pension will not normally be affected. However, if you are awarded an ill health pension of the type that is stopped if you are in gainful employment, your pension may be affected if you get a job (whether in local government or elsewhere) and, in all circumstances you must inform the employer who awarded you that pension.

Your Pension Fund administrator:

- must pay interest on lump sum benefits that are paid more than one month after they could have been paid.
- must pay interest on pensions that are paid more than a year after they should have been paid.
- can, if you are incapable of managing your affairs, pay your pension to some-one else to be used for your benefit.

Your employer can:

- reduce your pension benefits if you cease to be employed as a result of a criminal, negligent or fraudulent act, or omission as a result of which you have incurred some monetary obligation to your employer.
- forfeit your pension rights if the Secretary of State for Communities and Local Government agrees and you have been convicted of a serious offence connected with your employment.

You are not allowed to:

- assign your benefits. Your LGPS benefits are strictly personal and cannot be assigned to anyone else or used as security for a loan.

Retirement benefits

Your State Retirement Pension

In addition to your LGPS benefits, you may also qualify for a state retirement pension paid by the government from state pension age.

The Basic State Pension is based on the National Insurance contributions you pay, or which are given as credits, during your working life.

The Additional State Pension, also known as the **State Earnings Related Pension Scheme (SERPS)** or **State Second Pension (S2P)**, is the part of your state pension that depends on your earnings since April 1978. LGPS members are **contracted out** of the Additional State Pension and most pay lower national insurance contributions as a result.

State pension age is currently age 65 for men.

State pension age for women is currently being increased to be equalised with that for men. The Government has announced that it will speed up the pace of State pension age equalisation for women, so that women's State pension age will reach 65 by November 2018.

State pension age equalisation timetable for women:

Date of Birth	New State Pension Age
Before 6 April 1950	60
6 April 1950 - 5 April 1951	In the range 60 - 61
6 April 1951 - 5 April 1952	In the range 61 - 62
6 April 1952 - 5 April 1953	In the range 62 - 63
6 April 1953 - 5 August 1953	In the range 63 - 64
6 August 1953 - 5 December 1953	In the range 64 - 65

The State pension age will then increase to 66 for both men and women from December 2018 to April 2020.

Increase in State pension age from 65 to 66 for men and women:

Date of Birth	New State Pension Age
6 December 1953 - 5 April 1954	In the range 65 - 66
After 5 April 1954	66

Under current legislation the State pension age is due to rise to 68 between 2034 and 2046.

When you can retire and draw your benefits

The scheme's normal pension age is 65. You can retire and receive your LGPS benefits without any reductions from age 65.

You may decide to retire between age 60 and 65, however retirement before age 60 can only be with your employer's approval.

You may have to retire, perhaps because of redundancy, business efficiency or permanent ill health. Your LGPS benefits, even in these circumstances, can provide you with an immediate retirement pension.

If you voluntarily choose to retire before age 65, or retire on or after age 65, you can defer drawing your benefits but you must draw them before age 75. If you draw your pension after age 65, your benefits will be paid at an increased rate to reflect late payment.

There is one important condition – to be entitled to retirement benefits you must have been a member of the LGPS for at least 3 months, or have brought in a transfer from another pension scheme, or already have a deferred benefit in the LGPS in England or Wales.

There are specific rules relating to each type of retirement, so this section looks at the different ways of retiring, and the implications.



Early Retirement at your request

Early retirement is available in some circumstances but you may need your employer's consent and your benefits may be reduced.

If you are aged 60 to 64

You can retire and receive payment of your benefits at any time from age 60 onwards, and you don't need your employer's consent.

If you are aged 55 to 59

You may be able to retire and receive payment of your benefits immediately but this is only possible with your employer's consent. Your employer will have a policy about how they deal with these applications. You can ask your employer for details of their policy.

Will my pension and lump sum be reduced if I voluntarily retire before 65?

If you choose to retire before age 65 your benefits may be reduced to take account of being paid for longer. Your benefits are initially calculated as detailed under **How are my retirement benefits worked out?** and are then reduced. How much your benefits are reduced by depends on how early you draw them.

The reduction is calculated in accordance with guidance issued by the Government Actuary from time to time. The reduction is based on the length of time (in years and days) that you retire early – i.e. the period between the date your benefits are paid to age 65. The earlier you retire, the greater the reduction.

As a guide, the percentage reductions, issued in April 2008, for retirements up to five years early are shown in the table overleaf. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

No. of years paid early	Pensions reduction Men	Pensions reduction Women	Lump Sum Reduction
0	0%	0%	0%
1	6%	5%	2%
2	11%	10%	5%
3	16%	15%	7%
4	20%	19%	9%
5	24%	23%	12%

There are circumstances when your employer can agree not to make any reduction on compassionate grounds. You can ask them what their policy on this is.

If you were a member of the LGPS on 30 September 2006, some or all of your benefits paid early could be protected from the reduction under what is called the 85 year rule.

The 85 year rule is satisfied if your age at the date you draw your benefits and your scheme membership (each in whole years) add up to 85 or more.

If you are part-time, your membership counts towards the rule of 85 at its full calendar length.

Not all membership may count towards working out whether you meet the 85 year rule.

Working out how you are affected by the 85 year rule can be quite complex, but this should help you work out your general position.

- **If you would not satisfy the 85 year rule by the time you are 65**, then all your benefits are reduced if you choose to retire before 65. The reduction will be based on how many years before 65 you draw your benefits.
- **If you will be age 60 or over by 31 March 2016** and choose to retire before age 65, then, **provided you satisfy the 85 year rule when you start to draw your pension**, the benefits you build up to 31 March 2016 will not be reduced.

- **If you will be under age 60 by 31 March 2016** and retire before age 65, then, **provided you satisfy the 85 year rule when you start to draw your pension**, the benefits you've built up to 31 March 2008 will not be reduced. Also, if you will be aged 60 between 1 April 2016 and 31 March 2020 and meet the 85 year rule by 31 March 2020, some or all of the benefits you build up between 1 April 2008 and 31 March 2020 will not have a full reduction.

Please note that the rules on deciding whether you have protection under the 85 year rule from a reduction to your benefits if you choose to draw them before 65, and the level of that protection, are quite complex. If you are thinking of voluntarily retiring or asking for flexible retirement before age 65, you should contact Notts LG Pensions Office for a quotation of the benefits payable.

You can reduce or avoid the reductions by not taking immediate payment of your benefits on retirement i.e. by delaying payment until a later date. If you decide not to draw immediate benefits, the benefits would normally become payable at age 65 but you can defer payment beyond that age, although benefits must be paid by age 75.

Early Retirement through Redundancy or Business Efficiency

What happens if I lose my job through redundancy or business efficiency?

If you are aged 55 or over, your benefits are payable immediately without any early retirement reductions if your employer makes you redundant or you are retired on the grounds of business efficiency.

Your employer may also enhance your benefits at their **discretion**. Your employer can award you with additional membership to improve your retirement benefits and may also grant you extra annual pension. These are **discretions** your employer can use if they so wish and they will publicise their policy on this for your information.

Ill-health Retirement

What happens if I have to retire early due to permanent ill-health?

If you have to leave work due to illness you may be able to receive immediate payment of your benefits.

To qualify for ill health benefits, your employer, based on an opinion from an independent occupational health physician appointed by them, must be satisfied that you will be permanently unable to do your own job and that you have a reduced likelihood of being capable of gainful employment before age 65.

Ill-health benefits can be paid at any age and are not reduced on account of early payment – in fact, your benefits could be increased to make up for your early retirement.

There are graded levels of benefit based on how likely you are to be capable of gainful employment after you leave.

The different levels of benefit are:

- **If you have no reasonable prospect of being capable of gainful employment before age 65**, ill health benefits are based on the membership you would have had if you had stayed in the Scheme until age 65.
- **If you are unlikely to be capable of gainful employment within 3 years of leaving**, but you may be capable of doing so before 65 then ill health benefits are based on your membership built up to leaving plus 25% of your prospective membership from leaving to age 65.
- **If you are likely to be capable of gainful employment within 3 years of leaving, or before age 65 if earlier**, ill health benefits are based on your membership at leaving. Payment of these benefits will be stopped after 3 years, or earlier if you are in gainful employment or become capable of such employment, provided you are not age 65 by then. If the payment is stopped it will become payable again from age 65 but there are provisions to allow it to be paid earlier.

Gainful employment means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

If you are part-time, any extra membership awarded due to ill-health retirement will be reduced to reflect your part-time hours at leaving, disregarding any reduction in your hours due to your illness.

If you are already in receipt of an LGPS ill health pension from a former employment where your benefits are based on enhanced membership, and you are again awarded an ill health pension of the type which provides for enhanced membership, there may be a limit on the overall membership that your total LGPS ill health benefits can be based on. If this applies to you, please contact Notts LG Pensions Office for further information.

If you were paying into the LGPS on 31 March 2008 and were aged 45 or over on that date and have been in continuous membership of the LGPS, then if you qualify for the type of ill-health pension where your benefits are based on enhanced membership, there is protection to ensure your ill health retirement benefits are no less than they would have been under the Scheme as it applied before 1 April 2008.

Retiring after age 65

What if I carry on working after age 65?

If you carry on working after age 65, you will continue to pay into the LGPS, building up further benefits. You can receive your pension when you retire although your pension has to be paid by your 75th birthday. Also, if you retire at or after age 65 you can, if you wish, defer drawing your pension but you must draw it by age 75.

Because you will have already passed age 65 when you retire, there are no early retirement reductions to your benefits, no matter how little membership you have. In fact, if you draw your pension after age 65 your benefits will be paid at an increased rate.

Flexible Retirement

Can I have a gradual move into retirement?

Rather than continuing in your job to 65 or beyond you may wish to consider the possibility of flexible retirement. From age 55, if you reduce your hours or move to a less senior position, and provided your employer agrees, you can draw some or all of the pension benefits you have built up - helping you ease into retirement. Your employer will have a policy on flexible retirement. You can ask your employer for details of their policy.

If your employer agrees to flexible retirement, you can still draw your wages / salary from your job on the reduced hours or grade and continue paying into the LGPS, building up further benefits in the Scheme. **Contributions will automatically be deducted from your pay in your continuing role unless you inform your employer that you no longer wish to contribute.** Also, if you no longer wish to contribute to your AVC fund, you must inform the AVC provider otherwise AVC deductions will continue.

Will my pension and lump sum be reduced if I take flexible retirement?

If you take flexible retirement before age 65, your benefits initially calculated as detailed under **How are my retirement benefits worked out?** may be reduced for early payment.

If you were a member of the LGPS on 30

September 2006, some or all of your benefits paid early on flexible retirement could be protected from the reduction if you are a protected member. More detail can be found in the section **Early Retirement at your request**.

Your employer may, however, determine not to apply all or part of any reduction. You can ask them what their policy on this is.

If you receive payment of your benefits on flexible retirement, then your benefits will not be subject to reduction or suspension for re-employment whilst you are in a job with the employer that allowed you to take flexible retirement.

If you take flexible retirement after age 65, your benefits initially calculated as detailed under **How are my retirement benefits worked out?** will be increased to reflect late payment.

Payment of your Retirement Benefits

Payment of your pension

Your pension is paid monthly on the last banking day of each month. It is paid directly into your bank or building society account by BACS (bank automated clearing system). When your pension starts, the Pensions Payroll will send you pay slips for the first three months. After that, a pay slip will be sent to you in March, April, May and June of each year, and additional payslips will be issued where there is a monthly variation in the net pension of £5 or more. If you need a payslip for another month, contact the Pensions Payroll and they can arrange for a payslip to be sent to you.

Payment of your lump sum

Any lump sum due to you will be paid into the Bank or Building Society account stated on your pension application form (Section 8).

For members who are retiring from active employment with Nottinghamshire County Council, the lump sum will be paid into the account into which your salary was paid, unless you indicate otherwise on your application form.

We will aim to calculate and pay retirement benefits within one month of your retirement date, subject to receiving all the required paperwork from you and your employer.

Change of address

Any change of address should be notified immediately, either in writing or by telephone, to Notts LG Pensions Office to ensure the continuation of your pension. However, if a lasting power of attorney is in place, documentation in support of the individual's address change should be included with your written notification.

Change of bank account details

If you change your bank/building society account, you will need to inform Pensions Payroll so that they can continue to pay your monthly pension to you. For security reasons this information cannot be taken over the telephone or by e-mail, as your signature is required. Remember to quote your pay number and sign any notification. Make sure that the sort code and bank account details are correct

before sending them to the Pensions Payroll. Ask your bank to check the details if you are unsure.

The Pensions Payroll can be contacted on telephone number 0115 846 3483.

Income Tax

What counts as Income?

How much tax (if any) you will pay on your pension income depends on the overall amount of taxable income you have.

Your taxable income may include:

- the State Pension
- income from a retirement annuity, personal, stakeholder and/or company pension
- any taxable State Benefits you may qualify for
- savings or investments
- income from a job if you work.

If your taxable income is greater than your tax allowances, you will pay tax on some or all of your pension income in line with current Income Tax rates. If your taxable income is equal to or less than your allowances, you won't pay any tax on your pension income.

Any Income Tax due is deducted via PAYE.

The tax office can be contacted:

- By phone:
0845 302 1413
- In writing:
HM Revenue & Customs
Notts & Derbyshire Area
Howard House
Castle Meadow Road
Nottingham NG2 1AB
- Tax reference number:
507/504800

If you have any questions about your tax, you should contact the tax office, quoting the above reference number and your National Insurance number, as this helps them to find your record.

Tax code changes are notified to the Pensions Payroll by HM Revenue & Customs. The Pensions Payroll cannot change your tax code without authorisation from the tax office. If you receive a notification that your code has been amended, there is no need for you to pass on this information to the Pensions Payroll as the tax office will tell them directly.

If you receive a new code for the new financial year, then please check that the correct code has been applied on your April payslip.

Contacting Pensions Payroll

The Pensions Payroll can be contacted on telephone number 0115 846 3483. Please always have your National Insurance Number or pension payroll number (if known) to hand before calling.



Protection for your Family

What benefits will be paid if I die after retiring on pension?

If you die after retiring on pension, your benefits will no longer be payable. Your husband, wife, partner, next-of-kin or person dealing with your Estate must immediately inform the Pensions Helpline of your date of death as otherwise an overpayment could occur. It would be useful for them to have your National Insurance Number, payroll number or date of birth to hand when calling.

The following benefits may then be payable on your death:

A lump sum death grant

If you left after 31 March 2008, a lump sum death grant will be paid if you die and less than ten years pension has been paid, and you are under age 75. The amount payable would be ten times your annual pension reduced by any pension already paid to you. You should ensure that you have completed an up to date Death Grant Nomination Form so that the Fund may consider your wishes when making any payment of the death grant.

A survivor's pension

A pension will be paid to your husband, wife, registered **civil partner** or, subject to certain qualifying conditions, your **nominated co-habiting partner**. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

- For your husband or wife: the pension payable is equal to 1/160th of your final pay times the membership your pension is based on, unless you marry after retirement in which case it could be less.
- For your **civil partner**: the pension payable is equal to 1/160th of your final pay times the membership your pension is based on.

- For your **nominated co-habiting partner**: the pension payable is equal to 1/160th of your final pay times your membership in the scheme after 5 April 1988, plus any of your membership before 6 April 1988 that you have paid additional contributions for so that it counts towards a **nominated co-habiting partner's** pension.

To nominate a co-habiting partner, your relationship has to meet certain conditions laid down by the LGPS. Further details and application form can be found in our document Nomination of Co-habiting Partner for Survivor's Pension (PEN14) which is available on our website. Alternatively, if you do not have access to our website, a copy can be requested by contacting the Pensions Helpline.

Children's pensions

These are payable to **eligible children** and increase every year in line with the cost of living.

The amount of pension depends on the number of **eligible children** you have:

- If a survivor's pension is being paid to your husband, wife, **civil partner** or **nominated co-habiting partner**, one child would receive 1/320th of your final pay times the membership your pension is based on, while two or more children would receive 1/160th shared equally between them.
- If there is no husband's, wife's, **civil partner's** or **nominated co-habiting partner's** pension being paid, one child would receive 1/240th of your final pay times the membership your pension is based on, while two or more children would receive 1/120th shared equally between them.

Some Terms We Use

Civil Partnership

A Civil Partnership is a relationship between two people of the same sex (civil partners) which is formed when they register as civil partners of each other.

Contracted out

The LGPS was contracted out of the **State Earning Related Pension Scheme (SERPS)** and is contracted out of the **State Second Pension (S2P)**. This means that, prior to State pension age, you pay reduced National Insurance contributions between the **Lower Earnings Limit** and the **Upper Accruals Point** (unless you have opted to pay the married woman's/widow's reduced rate of National Insurance). The LGPS guarantees to pay you a **Guaranteed Minimum Pension (GMP)** for being contracted out of the **State Earning Related Pension Scheme (SERPS)** and, for membership after 5 April 1997, the LGPS must meet a minimum Reference Scheme test prescribed under the Pensions Act 1995.

Discretion

This is the power given by the LGPS to enable your employer or your administering authority to choose how they will apply the Scheme in respect of certain provisions. Under the LGPS your employer or your administering authority are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review. You may ask your employer or your administering authority what their policy is in relation to a discretion. Your administering authority is Nottinghamshire County Council.

Eligible children

Eligible children are your children. They must, at the date of your death:

- be under 18 and be wholly or mainly dependent on you, or
- be aged 18 or over and under 23, be dependent on you, and be in full-time education or undertaking vocational training (although a dependant child who commences full-time education or vocational training after the date of your death may be treated as an eligible child up to age 23), or

- in some cases, a dependant child of any age who is disabled may be classed as an eligible child.

In all cases, the children must have been born before or within a year of your death.

Employer

Where reference is made to employer, for those employed by Nottinghamshire County Council, the term may be substituted by employing department. In general, your Human Resources (HR) department should have access to the information you require.

Guaranteed Minimum Pension (GMP)

The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been **contracted out** of the **State Earning Related Pension Scheme (SERPS)** at any time between 6 April 1978 and 5 April 1997. This is called the Guaranteed Minimum Pension (GMP).

Lower Earnings Limit

This is the amount of pay that you can receive before you pay any National Insurance contributions. The Lower Earnings Limit for 2011/2012 is £102 per week. It is usually increased annually by Parliament.

Nominated co-habiting partner

A co-habiting partner is some-one you are living with as if you are married or in a civil partnership. To be able to nominate a co-habiting partner, of either opposite or same sex, to receive a survivor's pension on your death, your relationship has to meet certain conditions laid down by the LGPS. Information on these conditions, and how to make a nomination, are set out in our document Nomination of Co-habiting Partner for Survivor's Pension (PEN14) which is available on our website. Alternatively, if you do not have access to our website, a copy can be requested by contacting the Pensions Helpline.

SERPS (State Earnings Related Pension Scheme)

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically **contracted out** of SERPS, and most paid lower national insurance contributions as a result. SERPS was replaced by the **State Second Pension (S2P)** from 6 April 2002.

State Second Pension (S2P)

The State Second Pension (formerly **SERPS**) is the additional state pension, payable from State pension age by the Department for Work and Pensions. Initially, S2P was an earnings-related pension but from April 2009 it began building up as a flat rate pension, achieving full flat rate accrual by around 2030.

LGPS members are **contracted out** of S2P and most pay lower national insurance contributions as a result. More information on the State Second Pension (S2P) is available from the DWP Pensions Service.

Upper Accruals Point

This is the amount of pay beyond which you cease to pay the lower, contracted-out rate of National Insurance contributions. The Upper Accruals Point for 2011/2012 is £770 per week. On earnings above the Upper Accruals Point and up to the Upper Earnings Limit of £817 per week you pay the full 12% National Insurance contribution and on earnings above the Upper Earnings Limit you pay a 2% National Insurance contribution.

More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact:

Notts LG Pensions Office
Employee Services Centre
Nottinghamshire
County Council
c/o County Hall
West Bridgford
Nottingham
NG2 7QP

Pensions Helpline: 0115 846 3333

Retirement Helpline: 0115 846 3362

Fax: 0115 846 3300

Email: lgpensions@nottsc.gov.uk

Website: www.nottspf.org.uk

The national web site for members of the LGPS can be found at www.lgps.org.uk

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the leaflet **PEN 2 – Help with Pension Problems**.

For those who do not have access to our website, a Full Guide to the Scheme may be obtained by contacting the Pensions Helpline on 0115 846 3333.

Disclaimer

The information in this booklet applies to individuals who were contributing members of the Local Government Pension Scheme on 1 April 2008 or who have since joined. This booklet is for general use and cannot cover every personal circumstance nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this booklet does not confer any contractual or statutory rights and is provided for information purposes only.





Nottinghamshire
County Council

Contacting us

email

lgpensions@nottsc.gov.uk

phone

0115 846 3333

fax

0115 846 3300

post

**Notts LG Pensions Office, Employee Services Centre,
Nottinghamshire County Council, c/o County Hall,
West Bridgford, Nottinghamshire NG2 7QP**

internet

www.nottspf.org.uk

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This information can be made available upon request in alternative formats and languages.

This short guide is provided to assist and inform employees. It should not be treated as a definitive statement of the law and nothing in it can override the terms of the relevant Regulations.