



# Factsheet 1 pension benefits



This fact sheet explains how your pension benefits are calculated as a member of the Local Government Pension Scheme (LGPS).

## How is pay and membership determined when calculating my pension?

Under the rules of the pension scheme, your benefits when you retire are based on your final pay and your period of membership.

**Final Pay** – in most cases this is the full-time rate of pay payable to a member in their final 365 days of employment. In some circumstances an earlier period of pay may be used.

**Period of membership** – the time in years and days that you have been a member of the LGPS. If you are or have been part time this period will be reduced to reflect your part time hours – eg if you work half of the standard hours for the job your period of membership will also be halved.

In some cases periods of absence from work will result in a reduction of the period of membership

## How is my pension calculated?

For periods of membership up to 31st March 2008 the calculation is:

$$\text{Final pay} \times \text{period of membership} \times 1/80$$

For example using a final pay of £20,000 and a period of membership of ten years gives

$$£20,000 \times 10 \times 1/80 = \text{an annual taxable pension of } £2,500$$

A tax free lump sum is also payable which in most cases is three times the pension, in this case £7,500. You are able to increase this lump sum by giving up some of your pension.

However for periods of membership from 1st April 2008 the calculation changes to one based on 60ths rather than 80ths with no automatic lump sum.

Therefore that calculation will be:

$$£20,000 \times 10 \times 1/60 = \text{an annual taxable pension of } £3,333$$

No tax free lump sum is payable automatically for periods of membership from 1st April 2008 however you may create a lump sum by giving up some of your pension. Every pound you give up from your annual pension will increase your lump sum by £12

## Will my pension increase?

Your pension is, in most cases, increased each year by the annual Pensions Increase order.

## **When can I retire?**

The scheme retirement age is 65 for both men and women, however you may be eligible to receive your pension earlier due to:

Being made redundant or retired on grounds of efficiency by your employer on or after age 55.

Being retired on the grounds of ill health by your employer at any age with the agreement of an approved medical practitioner, chosen by your employer.

Taking early retirement from age 60, with reduced benefits. In some cases these reductions are avoided under the 85 year rule. With employer's consent early retirement can be taken from age 55. Please see the website ([www.lpfa.org.uk](http://www.lpfa.org.uk)) or contact us for more information about the 85 year rule.

In all of these instances of early retirement the actual pension paid may be increased or in the case of the 85 year rule reduced depending on your age and length of service.

## **Can I carry on working after 65?**

You can, with your employer's agreement, continue to work beyond your 65th birthday, however you must leave the pension scheme before your 75th birthday. If you work beyond age 65 you will increase your period of membership and therefore increase your eventual pension benefits.

## **Will my AVCs increase my scheme pension?**

If you have paid additional contributions into an in-house AVC scheme they can be used to top up your pension benefits and we will write to you about this separately.

## **What happens if I am re-employed?**

You MUST inform us if you are re-employed after retirement, as any period of employment with the opportunity to re-join the LGPS may affect your pension. Failure to inform us may well result in overpayment of pension which will have to be recovered.

## **Are there any benefits payable to my spouse, partner or family?**

If you die leaving a legal spouse, civil partner, nominated partner and/or any eligible children, a pension may be payable to them.

## **Summary**

Unless re-employed, your retirement pension benefits remain in payment for the rest of your life and will increase in line with the annual Pensions Increase Order.

Please note: this fact sheet is intended as a broad guide to your benefits in the Local Government Pension Scheme. It does not seek to cater for every different circumstance and no decisions should be taken based on its contents. You are strongly advised to consult our website and/or contact us for more detailed and individual information before taking any action in relation to your pension. Nothing in this fact sheet overrides the regulations which govern the LGPS and which are subject to amendment from time to time.