



# Factsheet 4 deferred benefits



This fact sheet explains how your deferred 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:

Final pay x period of membership x 1/80

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

$£20,000 \times 10 \times 1/80 =$  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:

$£20,000 \times 10 \times 1/60 =$  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 in line with the published annual Pensions Increase Order.

### When will my deferred pension come into payment?

The scheme retirement age is 65 for both men and women and this is normally when your deferred pension will come into payment,

however you may be able to take your benefits from age 60 with reductions. The reductions, vary for men and women, and can be as large as 24% of your retirement pension and 12% of your lump sum. In some cases (employees with membership before October 2006) these reductions may be avoided under the 85 year rule (if your membership plus the period from leaving to drawing your benefits plus your age, each in whole years, add up to 85).

From age 60 you will have the choice of receiving reduced benefits, or receiving unreduced benefits from your normal retirement date (or from your 85 year rule date, if earlier).

### **Can everyone take their benefits at 60?**

No, if your employment originally ended before 01 April 1998, and you have re-entered local government employment, and your benefits would be subject to reduction, you cannot have your deferred benefits put into payment.

### **Can I receive benefits before age 60?**

Yes in some circumstances ie:

**Through permanent ill-health,** if your last employer and an independent medical practitioner agree that you are permanently unable to carry out your duties, you can receive your unreduced deferred benefits early.

**For compassionate reasons,** you may, with your employers consent, receive your deferred benefits anytime after age 55 (age 50 if you left before 1st April 2008). Your employer may also agree to waive the reductions for early payment of benefits.

### **What happens if I die before I receive my deferred benefits?**

If you die before you receive your deferred benefits, the scheme pays a death grant equal to the current value of your lump sum retirement grant, including any additional pension increases. Your LGPS administering

authority retain complete discretion over which eligible beneficiaries the death grant is paid to, although full consideration will be taken of the wishes expressed on your nomination form. If you have not already filled in a nomination form or want to change the details on it, please contact us using the details shown at the end of this factsheet.

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

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

If you are re-employed prior to your benefits coming into payment and have become a member of a pension scheme, you may be able to transfer your deferred benefit to your new scheme. Please let us know as soon as you are re-employed and we will provide a transfer quote. Please think carefully and take independent financial advice before transferring your pension rights.

You MUST inform us if you are re-employed after your deferred benefits come into payment 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.

### **What should I do if I change address?**

Please let us know as soon as possible so that we can update our records and be able to contact you when your benefits become payable.

### **Summary**

Unless transferred to a new scheme your deferred benefits will increase each year in line with inflation and will normally be paid from age 65.

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.