



# Thinking of retiring as a deferred member

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## **How do I know if this booklet applies to me?**

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You're a deferred member if you left the Local Government Pension Scheme (LGPS) before retirement and hold deferred benefits in the scheme. Your deferred benefit is the annual pension you've built up in the LGPS worked out to the date of leaving your employment. If you were a member of the LGPS before 1 April 2008 you'll also be entitled to an automatic retirement lump sum as well as your annual pension. Your deferred benefit is held in the pension fund until your normal pension age and increased (if applicable depending on CPI interest rates) each year in line with inflation.

## **Section 1 – How can I retire?**

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### **Normal retirement**

Your LGPS benefits become due at your normal pension age. In the LGPS this is the same as your State Pension age. This is known as normal retirement. When you reach your normal pension age, we'll write to you to let you know you can take your benefits unreduced.

The Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028.

### **Early retirement**

Deferred members can choose to retire and take their pension from age 55, without their former employer's consent. Pension benefits are normally reduced if paid before normal pension age.

The Government has announced that the earliest age you can take your pension will increase from 55 to 57 from 6 April 2028.

If you would like to ask for your benefits to be paid early, you must fill in our 'application for payment of benefits form'. This form can be found on our website or sent to your home address if you call the helpdesk on 01743 252130. This form must be sent to us three months before the date when you'd like your benefits paid.



Reductions are worked out in line with guidance from the Secretary of State. The percentage reductions for retirements up to 13 years early are shown in the table below. If the number of years isn't exact, we adjust the reduction percentages.

**Reduction table (table issued April 2023)**

Years early	Males	Females	Retirement grant
0	0.00%	0.00%	0.00%
1	4.90%	4.90%	1.70%
2	9.30%	9.30%	3.30%
3	13.50%	13.50%	4.90%
4	17.40%	17.40%	6.50%
5	20.90%	20.90%	8.10%
6	24.30%	24.30%	9.60%
7	27.40%	27.40%	11.10%
8	30.30%	30.30%	12.60%
9	33.00%	33.00%	14.10%
10	35.60%	35.60%	15.50%
11	39.50%	39.50%	N/A
12	41.80%	41.80%	N/A
13	43.90%	43.90%	N/A

If you've built up pension in the LGPS before 1 April 2014, the normal pension age that applies to those benefits is protected at 65. If you were a member of the LGPS on 30 September 2006, you may also have rule of 85 protection. This means if you choose to retire before your normal pension age, some or all your benefits may not be reduced for early payment.

**Late retirement**

You don't have to take your benefits at your normal pension age. However, you must take your benefits by your 75<sup>th</sup> birthday. Because you'll be drawing your benefits after your normal pension age, they will be increased.

## **Ill-health retirement**

If you're suffering from ill-health, you may be able to take your benefits immediately.

Your former employer, based on an opinion from an independent occupational health physician, must be satisfied and make the decision that you would be permanently unable to do your previous job until your normal pension age and that you're not immediately capable of undertaking gainful employment.

Deferred benefits which come into payment because of ill-health can be paid at any age and aren't reduced for early payment but no enhancement is applied.

## **Section 2 – The retirement process**

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**Now that you're thinking of retiring, you'll want to know what happens with your LGPS benefits. The following steps show you a brief overview of the process:**

**01.**



When you reach your normal pension age we'll send you a retirement pack. If you're retiring before your normal pension age, you must fill in the 'application for payment of benefits form' to let us know the date you plan on retiring so we can start the retirement process.

This pack includes forms to be filled in and your benefit options. You may be asked for your birth and/or marriage certificates if we haven't already seen them.

**02.**



We aim to send out your retirement pack within seven working days.

Once you send us your completed forms, we'll process your benefits. A letter will then be sent confirming your annual pension and the payment date of your lump sum retirement grant, if applicable.



03.



**If all the forms aren't returned, or have been filled in wrongly, this may delay payment of your benefits**

A final letter will be sent out telling you your payroll number, the date your first pension payment will be made and how to access your payslips/P60s online.

### **How long does the retirement process take?**

When we have all the information we need from you, we'll do our best to start paying your pension from the next available pay date. Your lump sum retirement grant will also be paid once your forms have been received and checked that they've been completed correctly.

It can take time for all the information to come in. Because of this, your pension will not be paid into your bank account on the day you retire, but rather the next pay date after all the information has been received and processed.

### **I have multiple records. Do I have to take all my benefits at the same time?**

No. Depending on the dates of membership of your other pension records, the benefits may have different normal pension ages. We'll write to you at the normal pension age of each employment record with details about that pension payment.

## **Section 3 – Small pension pots and trivial commutation**

Trivial commutation is where a small pension benefit can be paid as a lump sum.

### **How do I know if I can take all my pension as a one-off lump sum?**

The trivial commutation rules which all must be met to take your pension as a one-off lump sum are:

- You must be at least age 55, or age 60 in the case of a woman with a Guaranteed Minimum Pension (GMP), or age 65 in the case of a man with a GMP, with no upper age limit.
- You must add all your benefit values, of all pension arrangements including company pensions/personal pensions/stakeholder pensions/ retirement annuities/buy-out plans (but not **State Pension**), **together and if they don't exceed in total £30,000, trivial commutation may be possible.**



- All the benefits in the LGPS must be extinguished including all benefits from other LGPS funds.

You don't have to commute all your pension arrangements if you've other pensions. You can commute some and leave others to provide you with retirement income. All transactions must take place within twelve months of the first one.

### **What are my options in the LGPS?**

In the LGPS, it may be possible for you to take a lump sum under the 'de minimis' rules, even if the trivial commutation rules described above haven't been met. However, this option isn't available if you're receiving payment of deferred pension benefits because of leaving the LGPS before 1 April 2008.

#### **The 'de minimis' rules are:**

- You must be 55 or over or GMP age
- You must not be a controlling director of the sponsoring employer
- The payment must not exceed £10,000
- The payment extinguishes your right to benefits under the scheme
- There must not have been a transfer-out of the scheme in the three years preceding the date of payment

If these rules are met, we'll pay your benefits built up in our fund as a lump sum. This is unless a formal request is made by you describing any exceptional circumstances which should be considered as to why you don't wish to receive a lump sum payment.

### **Will the trivial commutation lump sum be taxed?**

The lump sum paid will be considered as income for tax purposes. The first 25% of the lump sum payment will be tax free and the remaining 75% will be taxed. Unless you're giving up a pension in payment, in which case the whole lump sum is taxed. Instructions from HMRC mean the tax is taken at source and you're paid the remaining balance.

### **Further information about taking a small pension**

The option to take a small pension benefit as a lump sum will only be provided to you if we think you might meet the criteria. If this applies, this will be covered in your retirement pack as part of the retirement process.



To read more about 'trivial commutation' and small pension pots visit HMRC's website: [www.gov.uk/hmrc](http://www.gov.uk/hmrc). The Pensions Advisory Service website, [www.pensionadvisoryservice.org.uk](http://www.pensionadvisoryservice.org.uk), also has some useful information.

## Section 4 – Tax and your pension

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Your lump sum retirement grant is completely tax-free (in line with current HMRC rules). However, there are other limits to be aware of which could have potential tax implications when taking your pension benefits.

### Lifetime allowance

As part of the retirement process you need to give details of pension benefits from other providers, on your forms. This is because HMRC restricts pension benefits to a certain value each year, known as the lifetime allowance, before a tax charge becomes due (other than income tax).

The Government has confirmed that no one will be pay a lifetime allowance tax charge from 6 April 2023 and that the lifetime allowance will be abolished completely from April 2024.

Your pension benefits from us will count towards your allowance and the percentage used will be shown in your retirement letter. If this percentage together with any other pension benefits doesn't exceed 100%, no additional tax charge is due.

### Recycling

When you take your benefits, in addition to your pension you may also receive a lump sum payment. This is sometimes referred to by HMRC as a pension commencement lump sum or PCLS.

If you intend to use part, or all your pension lump sum to fund additional contributions to a pension scheme, or to any other pension arrangement, this is known as 'recycling' and special tax rules may apply. If you break the recycling rules, you'll have to pay a tax charge of between 40% and 55% of the value of your pension lump sum.

Pension recycling applies to all lump sums paid on or after 6 April 2006 and where those lump sums are used to increase pension contributions, regardless of when the contributions are paid. The recycling rule applies when **all** the following conditions are met:





1. You receive a lump sum (HMRC call this this PCLS)
2. Because of the lump sum, the amount of contributions paid into another registered pension scheme is significantly greater than it otherwise would be
3. The additional contributions are made by yourself or by someone else, such as your employer
4. The recycling was pre-planned
5. The amount of lump sum, taken together with any other such lump sums taken in the previous 12-month period, exceeds:
  - a. £7,500 for events on or after 6 April 2015, or
  - b. 1% of the standard lifetime allowance for events before 6 April 2015
6. The total amount of the additional contributions is more than 30% of your lump sum

If you think these rules affect you, you should contact HMRC.

## Section 5 – Benefits from additional contributions

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If you've bought additional benefits in the LGPS, you'll need to take these benefits at retirement. How these benefits can be used depends on if you were paying:

- Additional voluntary contributions (AVCs)
- Additional pension contributions (APCs)
- Added years
- Additional regular contributions (ARCs)

### Additional voluntary contributions (AVCs)

You have a choice of how to use your AVC fund. At retirement the options available to you will be given in a letter.

#### 01. Buy an annuity

This is where an insurance company, bank or building society of your choice converts the value of your AVC fund and pays you an annuity (pension) in return.

The amount of the 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 annual increases and dependants' benefits.

#### 02. Buy an annuity from the LGPS



If you retire with immediate payment of your benefits you may be able to use your AVC fund to buy an annuity from the main scheme.

### **03. Buy extra membership in the LGPS**

If you started paying AVCs before 13 November 2001 and you're aged 50 or more and stopped paying your AVCs before you retire, or at any age if you're retiring on ill-health grounds, you have the choice to convert your AVC fund into extra LGPS membership.

### **04. Take your AVC fund as cash**

If you still have scope to, you can convert some of your LGPS pension into a lump sum. We'll explain your position in your retirement letter.

### **If you're buying added years in the LGPS**

If you bought added years, you were given the extra membership you paid for when you left the scheme. This has increased the value of your retirement benefits. Each year of membership bought will count as 1/80th of your final salary pay for your annual pension and 3/80ths for working out your lump sum. This is unless you first joined the scheme aged 45 or over, where each year counts at 1/60th for pension with no lump sum.

### **Additional regular contributions (ARCs)**

If you bought ARCs, you were given the extra pension you paid for when you left the scheme. This has increased the value of your benefits. You have the option to give up part of your pension for a lump sum, within HMRC limits.

Your additional pension will be affected by any early payment reductions.

### **Additional pension contributions (APCs)**

When you left your employment, the amount of pension bought was added to your deferred account. Your additional pension will be affected by any early payment reductions.

## **Section 6 – Freedom & choice**

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The information below only applies to you if you're more than twelve months away from your normal pension age.



### **What's freedom and choice?**

Changes in the law introduced by the Pensions Act 2015 mean many members of UK pension schemes offering defined contribution (DC) benefits have increased flexibility over how they can take their pension from age 55. This increased flexibility means these members can now take the whole of their pension as a lump sum in one go, or at different stages. However, only 25% of the cash taken will be tax free.

The LGPS isn't a defined contribution scheme but a defined benefit scheme. This means these new flexibilities don't apply to LGPS members. If you want to take advantage of these flexibilities, you'll need to transfer your pension benefits to a provider who offers this.

A transfer of pension benefits is only possible if you've left the scheme at least one year before your normal pension age and you make the transfer at least one year before your normal pension age.

### **Transferring my deferred benefit**

If you decide to transfer your pension rights from the LGPS to another pension scheme to use one of the new flexible benefit arrangements, you may have to take independent financial advice.

Independent financial advice is needed if the transfer value of your main scheme benefits is more than £30,000. The cost of the financial advice must be paid for by you. If you've more than one LGPS benefit in the same fund, or other LGPS funds, these benefits would count together when considering if independent financial advice must be taken. Before a transfer value can be paid by us to a different scheme, you'll have to give us a signed statement saying you've taken advice from a registered financial advisor.

If your transfer value is less than £30,000 you don't need to take financial advice. However, we always recommend you seek financial advice before deciding to transfer your LGPS pension benefits.

More information is available from Pension Wise and The Pensions Advisory Service. The Pensions Regulator has released a four-step guide to help you protect yourself from pension scams.

### **Can I just transfer my AVC plan and leave the main scheme benefit with the LGPS?**



Yes, an AVC can be transferred independently of your main scheme benefits. You don't have to take independent advice even if your plan value is worth more than £30,000. Your main scheme benefits can be left as a deferred benefit or put into payment.

### **How do I find an independent financial advisor?**

An authorised independent advisor can be found by using one of the following websites: FCA register, Personal Finance Society Website; The Association of Professional Financial Advisors, or your local Citizens Advice Bureau.

## **Section 7 – Frequently asked questions**

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### **When will my pension be paid?**

Your pension will be paid on the 29th of every month (or earlier if the 29th is a Saturday, Sunday or bank holiday). Payment may also be made slightly earlier in December before Christmas. Upcoming pay dates are listed on our website.

We'll make each monthly pension payment direct to your bank or building society account. When you fill in your retirement forms, remember to tell us which account you want us to pay your pension into.

### **Will I receive a payslip?**

We won't send you a paper payslip unless your net pay (the amount paid into your bank) either goes up or down by £20 or more from the previous month. This means you'll be told when your pension payment has changed. You'll also get a paper copy of your April payslip along with your P60 and pensions increase notice.

You can view your monthly payslips online, by logging into a secure area on our website. Please visit [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

### **What if I decide to live abroad?**

If you're thinking of moving abroad, contact us in good time so we can discuss the options with you and make the necessary arrangements.



### **What if I get another job after I retire?**

If you get another job your pension won't change. It will continue to be paid under current fund policy.

## **Section 8 – Dispute procedure**

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Under Regulation 74 of the Local Government Pension Scheme Regulations 2013 (as amended), we must tell you that if you are unhappy with any decision about your rights or liabilities under the scheme, you may make an appeal application to the body responsible for the decision; either your employer or the Administering Authority. This is called a 1st stage appeal and must be made within six months of the event.

We would suggest that you come to us before considering the appeal process, as we may be able to resolve your query. Standard forms and guidelines on the appeals process can be found on our website. You can also ask for a copy by calling 01743 252130.

After you've been through the 1st stage, if you're still unhappy you may apply for a reconsideration using the 2nd stage to:

Head of Legal Services Shropshire Council, Shirehall, Abbey Foregate, Shrewsbury SY2 6ND.

If you have a complaint or dispute which has gone through the appeals process, but you are still unhappy with the response, you can contact The Pensions Ombudsman. Contact details can be found under 'useful information and organisations'.

### **The Pensions Ombudsman (TPO)**

TPO deals only with pension complaints. It can help if you have a complaint or dispute about the administration and /or management of personal and occupational pension schemes. Some examples of the types of complaints it considers are (this list is not exhaustive):

- Automatic enrolment
- Benefits: including incorrect calculation, failure to pay or late payment
- Death benefits
- Failure to provide information or act on instructions
- Ill health



- Interpretation of the scheme rules
- Misquote or misinformation
- Transfers

You have the right to refer your complaint to the TPO free of charge. There is no financial limit on the amount of money that TPO can make a party award you. Its determinations are legally binding on all parties and are enforceable in court.

## Section 9 – Useful information and organisations

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### State Pension

Any queries about the State Pension should be addressed directly to the DWP.

[www.gov.uk](http://www.gov.uk) | Tel: 0800 731 7898

### Prudential

Prudential, Lancing BN15 8GB

[www.pru.co.uk](http://www.pru.co.uk) | Tel: 0800 000 000

### The Pensions Regulator

Napier House, Trafalgar Place, Brighton, BN1 4DW

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk) | Tel: 0345 600 7060

### The Pension Tracing Service

The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU

[www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension) | Tel: 0800 731 0193

### Pensions Ombudsman

10, South Colonnade, Canary Wharf, E14 4PU

[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk) | Tel: 0800 917 4487



## Contact details

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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](http://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

### Contact details

**Email:** [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk)

**Website:** [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

**Tel:** 01743 252130

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

### Administered by

