



Wiltshire Pension Fund

Changing jobs within the Local Government Pension Scheme

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Wiltshire Council
Where everybody matters

Changing jobs within the Local Government Pension Scheme

Unless you specifically opt to combine the Local Government Pension Scheme (LGPS) benefits you have accrued in your old job with those from your new job, those earlier benefits will remain as separate deferred benefits.

This leaflet details the points you need to consider when deciding whether to combine your benefits. We cannot offer you individual advice on whether to combine your benefits.

The decision can depend on future changes in your employment circumstances. Many of these will be unknown to you at the moment, so your decision will have to be based on what you consider to be most likely to happen.

Points to consider when deciding whether to combine benefits

1. The whole time equivalent pay in old and new jobs
2. Future job changes
3. The amount of death grant
4. Changes in your eligible retirement date
5. Elections to pay additional contributions
6. Married men with service before 1 April 1972

1. Whole time equivalent pay in old and new jobs

If you **keep your benefits separate** then your retirement benefits will be:

- the benefits on retirement from the new job (based on the pensionable service and final salary in your new job) **and**,
- the deferred benefits in respect of your old job (based on the pensionable service and final salary in your old job), increased in line with inflation

If you **combine the benefits** you will receive:

- benefits on retirement from your new job, based on the combined pensionable service in your old and new jobs and using the final salary you received in your new job.

This means that if the whole time equivalent (WTE) pay in your new job is:

- less than the WTE pay in your old job (taking inflation into account), **and**
- is not likely to equal or overtake it, it may be more beneficial to keep your deferred benefits separate from your new job. (Example G in section 4 of this leaflet covers

this in more detail)

To decide whether the WTE pay in the new job is greater than in the old job, you need to:

- decide whether it might in the future be higher (through incremental progression, pay awards and promotions)
- increase your old pay in line with inflation so you are comparing current values (uplifted pay).

2. Future job changes

If you choose to keep your benefits separate, you will not be able to join the deferred benefits from your old job with any further local government job after your current job.

If you combine your benefits, you will be able to join this combined pensionable service to your next local government job.

3. Death grant

If you keep your benefits separate, and subsequently die in service, a lump sum death grant is payable which will be equal to:

- three times your pay in your current job, **plus**
- the amount of the deferred lump sum plus inflation in respect of your deferred benefits (if you left that job before 1 April 2008) or 5 times the pension plus inflation from your deferred benefits (if you left that job after 1 April 2008)

If you decide to combine your benefits rather than retain your deferred benefits, the death grant payable on death in service will only be:

- three times your pay in your current job.

4. Changes to your eligible retirement date

You only need to consider this if:

- your deferred benefits include periods of membership prior to October 2006
- your deferred benefit eligible retirement date (ERD) is less than age 65

If both of these apply, you need to consider the effect that combining your benefits will have on your ERD for both your old and current benefits.

You can find your ERD on your deferred annual benefit statements (sent annually to your home address).

Normal and eligible retirement dates (the 85 year rule)

The normal retirement age for everyone in the LGPS is age 65. You can choose to take your benefits at any age from 60 but they would normally be reduced to reflect the fact they are being paid early.

Until October 2006, the LGPS had a qualification for receiving unreduced benefits before age 65 (the 85 year rule).

This rule meant that individuals could take their benefits between age 60 and 65 **without reductions** when their age plus their membership equalled 85 (e.g. unreduced at age 60 with 25 years membership).

The rule was removed from 1 October 2006 but existing members were given protections:

- Full protection on all membership up to 31 March 2016 for those aged 60 on or before that date
- Full protection on membership up to 1 April 2008 and partial protection on membership after for those aged 60 between 1 April 2016 and 31 March 2020¹
- Full protection on membership up to 1 April 2008 for anyone aged 60 on or after 1 April 2020

Impact of the 85 year rule on deferred and current benefits

The 85 year rule for deferred benefits is worked out differently than for current benefits.

The ERD for deferred benefits is calculated by adding:

- the actual membership period to the date of leaving, **plus**
- the notional membership to the age you take those benefits, if you had stayed in post until then, **plus**
- your age when you take the benefits.

Example A – ERD for someone with deferred benefits

If someone had 5 years membership and left at age 40, they could take their benefits without reductions at age 60 (5 plus 20 plus 60 equals 85).

However, the ERD for current benefits, is calculated by adding:

- the membership period to the date of leaving, **plus**
- your age when you take your benefits.

¹ The regulations provide tapering protections (i.e. smaller the closer your 60th birthday is to the end of the protection period) for those age 60 between 1 April 2016 and 31 March 2020. The Government is currently assessing whether full protection can be extended to those age 60 before 31 March 2020.

Example B – ERD for someone with current benefits

If someone joined at 50 without any other membership, their ERD would be 65. This is because their age and their membership will not equal 85 until after age 65.

If you combine your old benefits with those in your new job, the 85 year rule is calculated as per example B (i.e. your actual membership plus your age when you take your benefits).

Example C – ERD for someone who combines their benefits

Assume that the person in example A returns to local government at age 50 and combines their 5 years membership from their previous job. By combining, the ERD in respect of those old rights will move from age 60 to age 65. This is because 5 plus 10 plus 60 does not equal 85.

If the person left at age 60 and took their benefits, all the benefits would suffer the reduction.

The person in example C would therefore need to consider whether the increase in salary in their new job (in real terms allowing for inflation) is large enough to compensate for the shift in ERD in relation to their former rights. If it is not, the person may wish to keep the benefits separate, thereby enabling the deferred benefits to be drawn in full from age 60.

Members without full 85 year rule protection

Even if you don't have full protection, you need to consider the impact that combining your benefits will have on your ERD.

Example D – ERD for someone without full 85 year rule protection

Consider a person born on 1 April 1960. They will be 60 on 1 April 2020 so only membership prior to 1 April 2008 will be protected under the 85 year rule.

They start work on 1 April 1980, work for 20 years and leave on 31 March 2000.

Their deferred benefit would be payable without reductions at age 60 (20 plus 20 plus 60 is more than 85).

They re-join local government on 1 April 2005 and work until retiring at age 60 in 2020.

If they do not combine the earlier membership, their new benefits would receive the full percentage reduction at age 60 as the 85 year rule is not met (15 plus 60 does not equal 85).

If they choose to combine their old membership with their new membership, they will meet the 85 year rule at age 60 (20 plus 15 plus 60 is more than 85).

Their membership prior to 1 April 2008 (23 years) will be paid without reductions and their membership after 1 April 2008 (12 years) will be subject to the full percentage reductions if benefits are taken at age 60.

In Example D above, by combining their old job and new jobs, the member benefits from the 85 year rule, even though it only applies to part of their total membership.

Example E – ERD for someone who combines their benefits but doesn't meet the 85 year rule

If instead of 20 years, they only had 5 years membership in the old job but still chose to combine their benefits, they would not meet the 85 year rule at 60 and all their pensionable service would be subject to the full percentage reductions if they took their benefits then (5 plus 15 plus 60 does not equal 85).

The 85 year rule does not apply to any membership that starts after 1 October 2006 unless earlier LGPS membership prior to this date is combined with the current membership.

Example F – ERD with no 85 year rule protection on current benefits

Consider a person who left with 20 years membership on 31 March 2000 aged 45. They could take those benefits unreduced at age 60 (20 plus 15 plus 60 is more than 85).

They re-join on 1 November 2008 aged 53. The ERD for these benefits is age 65 as the 85 year rule does not apply.

If they retire at age 60, the deferred benefits are paid unreduced but the current benefits will be reduced as they are being paid 5 years early.

If this person combines their 20 years membership with the current period, the 85 year rule will apply to all of the benefits that can be paid at 60 unreduced (20 plus 7 plus 60 is more than 85).

Members with lower pay in their new job

If after allowing for inflation on the old rate of pay, your pay in the new job is lower than for your deferred benefits, you may still be better off by combining the two periods of membership.

Example G – ERD for current benefits is brought forward and increases total benefits value

Consider a person whose pay in their current job is £19,000 but the uplifted pay for their deferred benefits is £20,000.

The membership details are the same as in example F. This means that by combining their membership, all the benefits can be paid unreduced at age 60 as the 85 year rule is met.

The person needs to consider whether the loss resulting from joining their previous membership to a lower paid employment is offset by the extra value on the current benefits from the ERD changing from age 65 to 60 on the combined benefits.

5. Persons who have elected to buy added years or extra pension

If you keep your benefits separate, any existing election to buy added years or extra pension will cease at the date of leaving your former job and you will be credited with the proportion purchased.

You will not be able to start a new contract to buy added years in your new job as this facility was removed from 1 April 2008.

You can choose to start a contract to buy extra pension – the costs will be based on your age at the first contribution payment in this new contract.

If you combine your benefits, you can continue with your existing added years or extra pension contract in your new job, as long as:

- the period between leaving your old job and joining the Scheme in your new job is less than 12 months, and
- you have not received a refund of pension contributions in respect of your old job, and
- within three months of joining the Scheme in your new job you make an election to carry on paying additional contributions, and
- within that three months you pay off any contributions that would have been due during the break (if any) between the jobs

6. Married men with service before 1 April 1972

This applies only to married men with service before 1 April 1972 who have elected to pay additional contributions and are still making this payment to provide a full lump sum

If you retain your deferred benefits your election to pay additional contributions will cease at the date of leaving your former employment and you will be credited with the proportion purchased.

Any outstanding pre 1 April 1972 membership that you have not purchased would be converted to 89% of its length.

You would not be able to make a fresh election to purchase the balance of membership outstanding even if you decide to combine.

Glossary

Membership

Membership is the length at which service counts for deciding if you are eligible for benefits. It is the actual calendar length of time you are a member of the scheme.

Pensionable service

Pensionable service is the length at which service counts for calculating benefits.

For a part time employee, the actual calendar length of service is scaled down by the percentage of whole time worked to get pensionable service.

For example, a person who worked at 50% of whole time for 2 years would have one year's pensionable service ($50\% \times 2 = 1$)

Normal retirement date (NRD)

The normal retirement date for everyone in the LGPS is age 65.

Eligible retirement date (ERD)

Eligible retirement date is the date between age 60 and 65 when you are eligible to take your benefits without percentage reductions. For some people who satisfy the 85 year rule, this will be before age 65.

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, e.g. age 60 + 25 years membership = 85. If you are part time, your membership counts towards the rule of 85 at its full calendar length.

The rule was removed from 1 October 2006, see page 4 for more details.

Percentage reductions

You can choose to take your pension at any time from age 60. If you retire before age 65, or before your earliest retirement date, your pension and any automatic lump sum (if you have membership prior to 1 April 2008) will be reduced. The table below shows the reductions that will apply, depending on the number of years early you take your pension.

Years early	Pensions reduction % - male	Pensions reduction % - female	Lump sum reduction % - all members
1	6	5	2
2	11	10	5
3	16	15	7
4	20	19	9
5	24	23	12

If you have any queries about your pension when changing jobs within the LGPS, please contact us on 01225 713613.