

# Wiltshire Pension Fund

## Your LGPS retirement benefits



**You can look forward to enjoying a guaranteed package of benefits when you retire.**

In this leaflet 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 leaflet.

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 1/60<sup>th</sup> of your final pay – so if you have 40 years membership 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. You can find out how from the leaflet **If You Joined the LGPS Before 1 April 2008**.

### 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 a 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 to 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 year<sup>1</sup> 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.

**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 Wiltshire Pension Fund 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

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

years of the reduction or restriction in your pay, then 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.

### 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 sum<sup>2</sup>. 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. 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:

$$20 \text{ years} \times 1/60^{\text{th}} \times \text{£}18,000 = \text{£}6,000$$

If they decide to give up £1,500 pension for a cash 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**

#### 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:

$$20 \text{ years} \times 18\frac{1}{2} \div 37 = 10 \text{ years}$$

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

$$10 \text{ years} \times 1/60^{\text{th}} \times \text{£}18,000 = \text{£}3,000$$

If they decide to give up £750 pension for a cash 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 **When you can retire and draw your benefits** below. 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** below.

**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 1/80<sup>th</sup> 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 above. For more information and examples, see the leaflet **If You Joined the LGPS Before 1 April 2008**.

### **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 Wiltshire Pension Fund 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 **GMP**, you may not reduce your pension to below the level of your **GMP**.

#### **Getting a small pension paid as a lump sum**

We may be able to pay a small pension as a one off lump sum less a tax charge. However, the circumstances where this may happen are restrictive, particularly if you have any other pension benefits.

If a small pension is paid as a one off lump sum, all other benefits from the LGPS would have to cease, so we will have to check that you have no other LGPS benefits before deciding whether your pension can be paid as a one off lump sum.

### **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 choose to 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 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 to 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 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. To find out how benefits are calculated on this membership, see the leaflet **If You Joined the LGPS Before 1 April 2008**.

- **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.<sup>3</sup> If you retire (other than on flexible retirement) and draw your AVCs later, you can normally only have up to 25% of your AVC fund as a lump sum.

Details of these options will be given to you shortly before your retirement.

### **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.

### **If you are paying additional contributions to buy extra *nominated co-habiting partner's survivor benefits***

The extra benefit that you have paid for will be included in calculating any survivor pension payable to a ***nominated co-habiting partner*** on your death.

But if you are still paying these when you retire, only that proportion of the extra benefit you have paid for will count, unless you qualify for the type of ill health pension where your benefits are based on enhanced membership. If so, the whole of the extra benefit you set out to buy will be included in calculating any survivor pension payable to a ***nominated co-habiting partner***, even if you have not completed full payment for it.

You can find out about more about the ways you can pay extra contributions to increase your retirement benefits from the leaflet on **Increasing Your benefits**.

## **More about your LGPS retirement benefits**

### **What are the HM Revenue and Customs 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 when you draw them (over and above any tax due under the PAYE system on a pension in payment).

The lifetime allowance is the total capital value of all your pension arrangements which you can build up without paying extra tax.

If the value of your 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) exceed your lifetime allowance a tax charge will be made against the excess. The lifetime

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<sup>3</sup> 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 (2010/2011 figure) less the value of any other pension rights you have in payment.

allowance for 2010/2011 is £1.8 million. **However this amount will reduce to £1.5 million from 1 April 2012**, you can find more information about these changes on our website [www.wiltshirepensionfund.org.uk/about-the-scheme/pension-tax-relief](http://www.wiltshirepensionfund.org.uk/about-the-scheme/pension-tax-relief) . Most scheme members' pension savings will be significantly less than the lifetime allowance.

There are protections for benefits earned up to 5 April 2006 in respect of those high earners affected by the introduction of the lifetime allowance from 6 April 2006.

You can find out more about HM Revenue and Customs controls on your pension savings from the leaflet on **Tax Controls and Your LGPS Benefits**.

Wiltshire Pension Fund 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 we 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.

Also, 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 will be a tax charge.

### How does my pension keep it's value?

On retiring on or after age 55 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.** If you are retired on ill health grounds, your pension is increased each year regardless of your age.

### Guaranteed Minimum Pension (GMP)

If your membership in the LGPS includes a **Guaranteed Minimum Pension (GMP)**, 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 postponement of 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 leaflet on **Pensions and Divorce or Dissolution of a Civil Partnership**.

### How will my pension be paid?

Monthly pension payments will be made direct into your bank or building society account. Similar arrangements can also be made to pay your pension into your account should you move abroad. Wiltshire Pension Fund will provide you with further information regarding payment of pensions on retirement.

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

If you get a job in local government or with an employer that participates in the LGPS, your pension may be reduced or suspended in accordance with the policy determined by your employer. Under the LGPS, this is at the **discretion** of your employer and their policy on it must be

included in a policy statement. 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 any gainful employment, your pension may be affected if you get a job and you must inform the employer who awarded you that pension if you take up any employment.

## And...

### 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 someone 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 65 for men.

State pension age for women is currently being increased to age 65 as shown in the table below, so that by 2020 State pension age for men and women will have been equalised at age 65.

<b>Date of Birth</b>	<b>State pension age</b>
Before 6th April 1950	60
6th April 1950 - 5th April 1951	Between 60 & 61
6th April 1951 - 5th April 1952	Between 61 & 62
6th April 1952 - 5th April 1953	Between 62 & 63
6th April 1953 - 5th April 1954	Between 63 & 64
6th April 1954 - 5th April 1955	Between 64 & 65
After 5th April 1955	65

The State pension age was set to rise for men and women from 65 to 68 between 2024 and 2046. However, the Government announced in its October 2010 Spending Review that it will speed up the pace of State pension age equalisation for women from April 2016 so that women's State pension age will reach 65 in November 2018. The State pension age will then increase to 66 for both men and women from December 2018 to April 2020.

### **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 earlier or later.

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, which may even be enhanced.

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 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 will 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.

**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 if you are a protected member. You can find out more about this from the leaflet **If You Joined the LGPS Before 1 April 2008**.

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 below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

<b>No. of years paid early</b>	<b>Pensions reduction Men</b>	<b>Pensions reduction Women</b>
<b>0</b>	<b>0%</b>	<b>0%</b>
<b>1</b>	<b>6%</b>	<b>5%</b>
<b>2</b>	<b>11%</b>	<b>10%</b>
<b>3</b>	<b>16%</b>	<b>15%</b>
<b>4</b>	<b>20%</b>	<b>19%</b>
<b>5</b>	<b>24%</b>	<b>23%</b>

Your employer can agree not to make any reduction on compassionate grounds. You can ask them what their policy on this is.

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 up to 10 years additional membership to improve your retirement benefits. They can also grant you up to £5,000 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. Details would be provided at the time.

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 Wiltshire Pension Fund 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 choose to 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 75<sup>th</sup> 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.

Your election to receive benefits has to be made to Wiltshire Pension Fund.

### 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?** will 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. You can find out more about this from the leaflet **If You Joined the LGPS Before 1 April 2008**.

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.

## More information

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

Wiltshire Pension Fund  
County Hall  
Trowbridge  
Wiltshire  
BA14 8JN  
01225 713613

[pensionenquiries@wiltshire.gov.uk](mailto:pensionenquiries@wiltshire.gov.uk)  
[www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk)

The national web site for members of the LGPS can be found at [www.lgps.org.uk](http://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 **Help with Pension Problems**.

## Disclaimer

The information in this leaflet applies to individuals who were contributing members of the Local Government Pension Scheme on 1 April 2008 or who have since joined. This leaflet is for employees in England and Wales and was up-to-date at the time of publication in October 2010 and reflects the current provisions of the LGPS. Changes to the scheme can be made by the Government in the future after consultation with interested parties. This leaflet 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 leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

## 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 Wiltshire Pension Fund to choose how they will apply the scheme in respect of certain provisions. Under the LGPS your employer or Wiltshire Pension Fund 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.

### 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 Earnings 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 2010/2011 is £97 per week. It is usually increased annually by Parliament.

### Nominated co-habiting partner

A co-habiting partner is someone 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 the leaflet on **Life Cover – Protection for Your Family**.

### 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 pension age

This is the earliest age you can receive the state basic pension. State pension age is currently age 65 for men. State pension age for women is currently being increased to age 65 as shown in the table below, so that by 2020 state pension age for men and women will have been equalised at age 65.

Date of Birth	State Pension Age
Before 6 <sup>th</sup> April 1950	60
5 <sup>th</sup> April 1950 – 6 <sup>th</sup> April 1951	Between 60 & 61
5 <sup>th</sup> April 1951 – 6 <sup>th</sup> April 1952	Between 61 & 62
5 <sup>th</sup> April 1952 – 6 <sup>th</sup> April 1953	Between 62 & 63
5 <sup>th</sup> April 1953 – 6 <sup>th</sup> April 1954	Between 63 & 64
5 <sup>th</sup> April 1954 – 6 <sup>th</sup> April 1955	Between 64 & 65
After 5 <sup>th</sup> April 1955	65

The State pension age was set to rise for men and women from 65 to 68 between 2024 and 2046. However, the Government announced in its October 2010 Spending Review that it will speed up the pace of State pension age equalisation for women from April 2016 so that women's State pension age will reach 65 in November 2018. The State pension age will then increase to 66 for both men and women from December 2018 to April 2020.

## 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 2010/2011 is £770 per week. It is usually increased annually by Parliament. On earnings above the Upper Accruals Point and up to the Upper Earnings Limit of £884 per week you pay the full 11% National Insurance contribution and on earnings above the Upper Earnings Limit you pay a 1% National Insurance contribution.

Wiltshire Council is the administering authority for Wiltshire Pension Fund.

