

## Flexible retirement

If, with the consent of your employer, you reduce your hours or pay grade you can draw all or part of your pension whilst still working and earning more pension.

If your employer accepts an application to continue working beyond age 65 on the same hours and pay grade then you cannot draw your pension until you retire but it will be increased to recognise the fact that it is being paid late. If you continue work but at a reduced level you have the option to draw all or part of your pension.

## Death in service benefits

On death in service a lump sum payment of three times your final pensionable pay is made.

A pension of 1/160 of final pay for all years of actual and prospective service up to age 65 is payable immediately and unreduced to any married, civil or nominated unmarried partner (with whom you had co-habited for at least two years). Additional pensions are paid to any dependant children.

## Death in retirement

Any unpaid balance of the first ten years pension payments due to a member is paid as a lump sum

Partners pensions as above but based on actual service at retirement

## Leaving service before retirement

If you have more than three months scheme membership you qualify for a deferred pension based on your final pensionable pay and service, and increased in line with inflation until you retire.

If you move to another LGPS employer you can transfer your benefit to their scheme, on favourable terms, provided you do this within 12 months. Otherwise you have the right to request a transfer value and take your benefits to any other approved pension scheme.

If your employment is outsourced then your new employer may have admitted body status, in which case you can continue in the LGPS (generally the preferred outcome) but failing that they should offer you membership of a pension scheme certified as being comparable

## Buying additional pension

You can contribute to other pension arrangements, and get tax relief on your contributions, whilst a member of the LGPS.

There is a facility to buy extra defined benefits within the LGPS by paying additional contributions for specified amounts of pension payable at retirement age

You can also pay AVCs 'additional voluntary contributions' into a personal fund which is invested and used to buy a benefit at retirement. The benefit is uncertain will depend on investment returns and the cost of pension when you retire

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# Unite

# LGPS Guide England and Wales



## The importance of the LGPS

The LGPS can provide you with valuable income in the third of your adult life you may spend in retirement. If you pay the contributions you get a defined benefit on retirement, based on your final salary and service in the Scheme, and also valuable death and ill health cover to give your family security before then.

Unite strongly supports the LGPS and commends it to all members as a benefit which is a key part of your pay package. This is a member's guide to the main terms of the Scheme

## What it costs you

Member contributions are dependent on your level of pensionable pay and vary between 5.5% and 7.5%. Table 1 shows the current position. The pay bands in the Table will increase each year in line with cost of living increases. For part-time workers (as well as full-timers) contributions are based on whole-time equivalent pay.

**Table 1 – Contribution rates (as at April 2008)**

Pensionable pay:	Contribution rate is:	Pensionable pay:	Contribution rate is:
Up to £12,000	5.5%	£30,001 to £40,000	6.8%
£12,001 to £14,000	5.8%	£40,001 to £75,000	7.2%
£14,001 to £18,000	5.9%	More than £75,000	7.5%
£18,001 to £30,000	6.5%		

Contributions have recently increased but, under special provisions, **manual workers** previously on the protected 5% rate are being phased onto this new scale (their contributions will be limited to no more than 5.5% in 2009/10 and no more than 6.5% in 2010/11)

The rates shown apply to the whole of your pay e.g a member with pay of £24,000 would pay contributions on 6.5% of £24,000. The true cost to you as a member is about a third lower as LGPS members pay a lower rate of National Insurance and get tax relief on their pension contributions.

**Pensionable pay** is generally basic pay plus any of shift pay, contractual overtime and London weighting as may apply plus any other payment stated to be pensionable in your contract of employment

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## The benefit you will get

The scheme provides a combination of a lifetime pension income and a tax free lump sum at the point of retirement and you can vary the balance between these.

For each year of your service after April 2008 you earn a pension of 1/60 of your final pensionable pay – e.g 20 years service would give a pension of one third of pay – and you can exchange about a quarter of that pension for a tax free lump sum.

For each year of any service you had before April 2008 you earned a pension of 1/80 of your final pensionable pay plus an additional lump sum of 3/80 – and you can increase that lump sum by exchanging some of the pension.

Any service worked as a part-time employee is converted to full-time equivalent service and the pension is calculated using a full time equivalent salary.

When a member chooses to have a higher lump sum £1 of pension has to be given up to get each extra £12 of lump sum.

**Final pensionable pay** is your pensionable pay in the 12 months before you retire (or leave service), or in either of the two years preceding that if it was higher. If you have in your last ten years ‘stepped down’ to a lower graded job, a further option is your average pay in any three consecutive financial years in the last ten.

## An example benefit calculation

Chris retires in 2023 with final pensionable pay of £24,000 and had 15 years service before April 2008 and 15 years after.

Pre-2008                    15 x 1/80 x £24,000 = £4,500 p.a pension  
plus 15 x 3/80 x £24,000 = £13,500 lump sum

Post -2008                15 x 1/60 x £24,000 = £6,000 p.a pension  
Total benefit             £10,500 p.a pension plus £13,500 lump sum

(The maximum possible lump sum is calculated by an HMRC formula which can be summarised as 20 x total pension plus any pre-2008 lump sum divided by 4.666\*)

If Chris took the maximum lump sum option the benefits would be

£7,633 p.a pension plus £47,900 lump sum

## Retirement Age

This is age **65** but members can retire before or after that age, in which case the standard pension may be reduced for early payment or increased for late payment.

The **minimum age** for retirement is 55, though for those who were members prior to April 2008 it will be 50 until 31 March 2010

## Early retirement terms

If you choose to retire early then all or part of your pension and lump sum may be reduced in line with the rates set out in **Table 2**. For a man retiring at 60 it shows a 24% reduction in pension and a 12% reduction in lump sum.

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**Table 2 Early retirement reductions**

No. of years paid early	Pensions reduction men	Pensions reduction women	Lump sum eduction
0	0%	0%	0%
1	6%	5%	2%
2	11%	10%	5%
3	16%	15%	7%
4	20%	19%	9%
5	24%	23%	12%
6	28%	27%	14%
7	32%	30%	16%
8	35%	33%	18%
9	38%	36%	20%
10	41%	39%	22%

Special early retirement provisions apply to many members who were in service before 30 September 2006. If at the time you retire you are aged over age 60 and your combined age and service total at least 85 then some element of ‘Rule of 85’ benefits may apply, as follows:-

- if they retire at 60 or over before 1 April 2016 benefits are unreduced
- if they retire in the period 1 April 2016-2020 benefits earned before 2008 are unreduced but benefits earned after are reduced on a sliding scale as the reductions in Table 2 are phased-in
- If they retire after 1 April 2020 benefits earned before 2008 are unreduced but benefits after 2008 are reduced as per Table 2

## Redundancy

If you are made redundant when above the minimum age for retirement you can draw your pension unreduced. Employers have a discretion to award extra years or extra amounts of pension and are obliged to have a written policy statement on the exercise of this discretion.

## Ill Health pension

To qualify you must be accepted as being permanently incapable of doing your own job. There are three levels of benefits access to which depends on an assessment as to whether you are capable of working in ‘gainful employment’ before the age of 65. Gainful employment means employment of 30 hours or more sustained for 12 months.

- Tier 1 – assessed as unable to work before age 65- service is increased to what it would have been at age 65 and a permanent unreduced pension is paid
- Tier 2 – assessed as unable to work for over three years- service is increased by a quarter of the years between retirement and age 65 and a permanent unreduced pension is paid
- Tier 3 – assessed as able to resume work within three years – no service enhancement and a temporary unreduced pension is paid which is stopped if you start working, may be stopped (or uprated to tier 2) after a medical assessment after 18 months or otherwise is stopped after three years.

Ill health decisions can be contested through the Scheme’s internal disputes procedure

