

Pension Pointers

Pension Pointers is a series of factsheets covering a range of topics to assist employers with the administration of the Local Government Pension Scheme in Berkshire.

Retirement



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**Local Government
Pension Scheme**

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THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

Normal Retirement

Retirement benefits become payable in full from a member's **Normal Pension Age (NPA)** providing the member has at least 2 years membership of the LGPS or has transferred in rights from another pension scheme or arrangement.

For all membership built up from 1 April 2014 onwards the member's NPA is linked to their **State Pension Age (SPA)** but with a minimum age of 65.

Members can find their SPA by visiting the online calculator via the gov.uk website:

<https://www.gov.uk/state-pension-age>

If a member retires at their NPA their pension benefits will be payable without any reduction.

Protected NPA for existing members

Pension built up before 1 April 2014 under the Final Salary Scheme has a protected NPA, which for almost all is **age 65**. Members are unable to withdraw their benefits built up in the Final Salary Scheme separately to those built up in the CARE Scheme 2014. All pension would have to be drawn at the same time (except in the case of Flexible Retirement - see page 4).



Early Retirement

An active scheme member can voluntarily retire from their employment and claim their LGPS pension at any time from age 55 onwards providing **all of the following** apply:



- the member is aged 55 or over
- the member has more than two years of membership within the LGPS
- the member has left their contract of employment (the only exception to this is *Flexible Retirement*)

If a member claims their pension before their Normal Pension Age (NPA) their pension benefits will be reduced to reflect their early payment. The reduction that is applied is dependant on the number of years and days early the member is retiring and whether they are male or female.

The reduction percentages are provided by the **Government Actuary's Department (GAD)** and are detailed below:

Benefit Reduction Table for Early Retirement			
Number of Years Early	Pension Reduction Males	Pension Reduction Females	Lump Sum Reduction
0	0%	0%	0%
1	5.1%	5.1%	2.3%
2	9.9%	9.9%	4.6%
3	14.3%	14.3%	6.9%
4	18.4%	18.4%	9.1%
5	22.2%	22.2%	11.2%
6	25.7%	25.7%	13.3%
7	29.0%	29.0%	15.3%
8	32.1%	32.1%	17.3%
9	35.0%	35.0%	19.2%
10	37.7%	37.7%	21.1%
11	41.6%	41.6%	N/A
12	44.0%	44.0%	N/A
13	46.3%	46.3%	N/A

The above early retirement factors are effective from 8 January 2019.

If a member is retiring through reasons of Redundancy, Efficiency or Ill-health retirement these reductions **will not** apply (please turn to page 5 for more information).

Flexible Retirement

Flexible Retirement allows a member who has attained the age 55 to draw all or part of their retirement benefits whilst continuing in their employment on reduced hours or salary grade.

An active member who has attained the age of 55 or over who reduces working hours or grade of an employment may, with the Scheme employer's consent, elect to receive immediate payment of all or part of the retirement pension to which that member would be entitled in respect of that employment if that member were not an employee in local government service on the date of the reduction in hours or grade, adjusted by the amount shown as appropriate in actuarial guidance issued by the Secretary of State.

A member is able to retire on Flexible Retirement grounds if all of the following criteria is met:

- i. The employer consents;**
- ii. There has been a reduction in hours, or there has been a reduction in grade.**

Benefits released under Flexible Retirement provisions will be subject to reduction if drawn earlier than the member's NPA. However, the employer can choose to waive all or part of the reduction providing they pay the extra strain costs arising to the Pension Fund.

When dealing with a Flexible Retirement request it is advisable to contact the Pension Team in the first instance to request an estimate. We can then calculate in advance the value of the member's pension benefits and the cost (if any) to the employer. You can request an estimate by completing form EST3 and forwarding this to info@berkshirerpensions.org.uk

Form EST3 is available in the 'Employer Forms' section of the Berkshire Pension Fund website: <https://www.berkshirerpensions.org.uk/media/1655/download/>



Redundancy and Efficiency Retirement

If a member is retired early on redundancy grounds (either through voluntary or forced redundancy) their employment is terminated in the interests of the efficient exercise of the service, their pension benefits are paid immediately if the member satisfies all of the following conditions:

- They are aged 55 or over at the point they are retired on redundancy or efficiency grounds
- They have at least two years membership of the LGPS (or less than 2 years having previously accepted a transfer of former pension rights into the scheme from another LGPS Fund)

Benefits paid in this way are released with immediate effect after the member's date of leaving and paid for their lifetime without reduction.

Any such retirement is a decision of the employer and not of the employee. In most cases there is a cost to the employer for the release of pension benefits on redundancy or efficiency grounds. Therefore we recommend you request an estimate from the pension team in advance of any decisions being made. We can then calculate in advance the value of the member's pension benefits and the cost (if any) to the employer. You can request an estimate by completing form EST3 and forwarding this to info@berkshirepensions.org.uk

Form EST3 is available in the 'Employer Forms' section of the Berkshire Pension Fund website:

<https://www.berkshirepensions.org.uk/bpf/employers/employer-forms>

Benefits released in this way are calculated to the member's date of leaving and **are not** automatically enhanced to the member's NPA.



Ill-health Retirement

A member can approach their employer to investigate the early release of their pension on ill-health grounds at any age providing they have at least two years total membership in the LGPS.

Regulation **20** of the **LGPS (Benefits, Membership and Contributions) Regulations 2000** states the following:

If an employing authority determines, in the case of a member who has at least two years total membership, to terminate his local government employment on the grounds that his ill health or infirmity of mind or body renders him permanently incapable of discharging efficiently the duties of his current employment and that he has a reduced likelihood of obtaining gainful employment (whether in local government or otherwise) before his Normal Pension Age, they shall pay him ill health benefits.

Before making a determination, an employer must obtain a certificate from an **Independent Registered Medical Practitioner (IRMP)** qualified in occupational medicine. It is important to note that the IRMP must be in a position to certify, and must include in his certification, a statement that he has not previously advised, given an opinion on, or otherwise been involved in the member's case and that he is not acting, and has not at any time acted, as the member's or the employer's representative. There are three tiers of ill health retirement and it is the employing authority's responsibility to determine which band each case should fall into - **Tier 1, Tier 2 or Tier 3. Please note the employing authority does not have to agree with the opinion of the IRMP.**

Tier 1 - The employer determines that the member has no reasonable prospect of obtaining gainful employment before their Normal Pension Age (NPA) the member's benefits will be calculated using their membership accrued to date plus all of the assumed pension that they would have built up had they remained in their job until their NPA.

Tier 2 - The employer determines that, although the member will not obtain gainful employment within a reasonable period of leaving their job but they are likely to obtain gainful employment before their NPA, their benefits will be calculated using one quarter of the assumed pension that you would have built up had you remained in your job until your NPA.

Tier 3 - A third tier of ill health benefit is also available if the employer determines that the member cannot currently continue working because of ill health but have a reasonable prospect of obtaining gainful employment within 3 years. In this instance the member's pension built up to date in the LGPS will be released without enhancement but the member becomes responsible for informing their employer if they do obtain further gainful employment. In any case, the employer is required to review the member's circumstances **18 months** after the point from which their benefits were brought into payment. A Scheme employer carrying out a review must make a decision about the member's entitlement after obtaining a further certificate from an IRMP as to whether, and if so when, the member will be likely to be capable of undertaking gainful employment.

If the authority is satisfied that the member is permanently incapable of discharging efficiently the duties of the employment and is unlikely to be capable of undertaking gainful employment before their NPA they may award Tier 2 benefits to the member from the date of the review.

If, following the 18 month review, payment of the Tier 3 pension is to continue the pension must cease after 3 years (or earlier if the member commences gainful employment). If the payment is stopped it will normally become payable again from the member's NPA.

Gainful Employment

For the purposes of ill-health retirement the regulations define gainful employment as being ***paid employment for not less than 30 hours in each week for a period of not less than 12 months.*** A reasonable period is also defined as being **3 years.**

Ill Health Retirement Capital Costs

In all cases of ill-health retirement a capital cost is calculated. However this cost is not charged to the employer. It is instead assessed as part of the triennial actuarial valuation of the Fund and is taken into account when determining the contribution percentage that the employer will pay.

Ill Health Retirement Certificates

Completion of a certificate is required in all cases of ill-health retirement. The employer (or former employer) completes part A of the certificate and the IRMP completes part B. Please be aware there are a number of different certificates representing different types membership status:

FORM	TITLE
LGS26	Ill-health certificate for a current member of the LGPS
LGS26B	Ill health Certificate for a Deferred Beneficiary who ceased membership as an employee on or after 1 April 2008
LGS26C	Ill health Certificate for a Deferred Beneficiary who ceased membership as an employee on or after 1 April 1998 and before 1 April 2008.
LGS26D	Ill Health Certificate for a Deferred Beneficiary who ceased membership as an employee before 1 April 1998
LGS26E1	3 rd Tier Ill Health Retirement Review Certificate for a Current 3 rd Tier Pensioner where the cessation of employment occurred after 31 March 2014 – England and Wales – Review taking place 18 months after the date of cessation of employment
LGS26E2	3 rd Tier Ill Health Retirement Review Certificate for a Current 3 rd Tier Pensioner where the cessation of employment occurred before 1 April 2014 – England and Wales – Review taking place 18 months after the date of cessation of employment
LGS26E3	3 rd Tier Ill Health Retirement Review Certificate for a Suspended 3 rd Tier Pensioner where the cessation of employment occurred before 1 April 2014 – England and Wales – Review taking place within 3 years of the date of cessation of the 3 rd tier pension
LGS26E4	3 rd Tier Ill Health Retirement Review Certificate for a Suspended 3 rd Tier Pensioner where the cessation of employment occurred after 31 March 2014 – England and Wales – Review taking place at the request of the member whilst the 3 rd Tier pension is in payment or within 3 years after payment of the 3 rd Tier pension has been discontinued
LGS26E5	3 rd Tier Ill Health Retirement Review Certificate for a Suspended 3 rd Tier Pensioner where the cessation of employment occurred before 1 April 2014 – England and Wales – Review taking place 3 or more years after the date of cessation of the 3 rd Tier pension
LGS26E6	3 rd Tier Ill Health Retirement Review Certificate for a Suspended 3 rd Tier Pensioner Where the cessation of employment occurred after 31 March 2014 – England and Wales - Review taking place 3 or more years after the date of cessation of the 3 rd tier pension
LGS26G	Ill health Certificate for a Deferred Beneficiary who ceased membership as an employee on or after 1 April 2014.

If a member is to be retired on ill-health grounds a copy of the completed ill-health certificate must be attached to the LGS15C Leaver notification before payment of the pension can commence.

Late Retirement

If a member retires and claims their pension after their Normal Pension Age (NPA) this is referred to as a **'Late Retirement'**.

As a member is retiring after their NPA their pension benefits are increased to reflect their late payment.

The late retirement increase is applied in line with guidance issued by the Government Actuary's Department (GAD).

Benefits paid after NPA will be paid immediately following the member's date of termination and released without reduction.

All LGPS benefits must be released two days before the member's 75th birthday at the latest. If the member is still in your employment and they are nearing their 75th birthday we will contact you in advance of this date to instruct you to cease their pension contributions.

Notice Periods and Forms

Please find detailed below confirmation of the notice periods and pension forms required by the Pension Team in order to release pension benefits under different retirement scenarios.

Retirement Type	Notice period required by the Pension Team?	Pension form required from employer
Voluntary Early retirement from age 55 but under 60	3 months written notice required from scheme member directly to the Pension Team. Pension will be released 3 months from the date of letter	LGS15C Leaver Notification
Voluntary Early retirement age 60 or over	No separate notice period required from member to release their pension. Any member retiring from age 60 onwards will be provided with their retirement options automatically upon leaving their employment	LGS15C Leaver Notification
Flexible Retirement	No separate notice period required by Pension Team. Any member over 55 retiring on flexible grounds will be provided with their retirement options automatically	LGS15C Leaver Notification calculated to Flexible retirement leaving date. LGS15A Starter Notification required for ongoing part-time/lower graded post
Redundancy/ Efficiency	No separate notice period required by Pension Team. Any member aged over 55 retiring on redundancy/efficiency grounds will be provided with their retirement options automatically upon leaving	LGS15C Leaver Notification
Ill-Health Retirement	No separate notice period required by Pension Team. Any member retiring on ill-health grounds will be provided with their retirement options automatically on leaving	LGS15C Leaver Notification plus copy of LGS26 ill-health certificate

Employer Estimate Requests

The Pension Team will be happy to provide a projection of retirement benefits on request from the employer. Estimate requests can be submitted to us using the relevant Estimate Request form to info@berkshirepensions.org.uk

Estimate requests can be submitted for reasons of:

- **Redundancy**
- **Efficiency of the Service**
- **Flexible Retirement**
- **Ill-Health (Tier 1, 2 or 3)**
- **Early Retirement between age 55 and Normal Pension Age**
- **Estimate to Normal Pension Age**
- **Late Retirement (beyond Normal Pension Age)**

You must submit your request by completing form **EST3**. If you are requesting an estimate for a former scheme member please use form **EST4**

Both of these forms can be found in the Employers section of the Berkshire Pension Fund website.

<https://www.berkshirepensions.org.uk/bpf/employers/employer-forms>



Glossary of Pension Terms

Gainful Employment

Paid employment for not less than 30 hours in each week for a period of not less than 12 months.

Final Pay

Average FTE salary over the last 365 days of employment used to calculate pre 1 April 2014 pension benefits under the Final Salary Pension Scheme.

IRMP

Independent Registered Medical Practitioner

LGPS

Local Government Pension Scheme

LGS15C

Leaver notification sent to the pensions team

NPA

Normal Pension Age

SPA

State Pension Age



Contact Information

If you have any queries regarding retirement from the LGPS please contact us on **01628 796 668**.
Alternatively you can e-mail info@berkshirepensions.org.uk

Where can I find out more?

Royal County of Berkshire Pension Fund Website:

www.berkshirepensions.org.uk

LGPS Regulations Berkshire Pension Fund Website:

www.lgpsregs.org

LGPS Payroll Guide to the 2014 Scheme:

<http://www.lgpslibrary.org/assets/gas/ew/Pv3.9c.pdf>

LGPS HR Guide:

<http://www.lgpslibrary.org/assets/gas/ew/HRv3.11c.pdf>

National LGPS Member Website:

<https://www.lgpsmember.org>



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