LGPS 2014 - RETIREMENT

NORMAL RETIREMENT

Normal retirement occurs at the age the scheme will pay your benefits without actuarial reduction or enhancement as of right – your Normal Pension Age (NPA). In the LGPS 2014 instead of your NPA being fixed at 65, it will instead match your individual State Pension Age (SPA), with a minimum of 65.

Protection for pension earned up to the start of the new scheme means that you will still be able to take any benefits relating to pre April 2014 service at 65. Also 'Rule of 85' protections, which some members have, will continue to apply.

NORMAL PENSION AGE

In the LGPS 2014 the Normal Pension Age for each member will be equal to their State Pension Age, but subject to a minimum of age 65. If you retire before your NPA your pension will be reduced for early payment. If you retire after your NPA your pension will be increased for late payment.

Your NPA will be whatever your SPA is at the time that you retire. This means that members of the Scheme will have different NPA's determined by their date of birth and SPA rules at the time of their retirement.

WHAT WILL MY STATE PENSION AGE BE?

SPA is being increased by the government. Dates have been set for increases in the SPA to 66 and to 67, and further increases are planned.

The Government has announced that it will speed up the pace of State Pension Age equalisation for women, so that women's State Pension Age will reach 65 by November 2018. The State Pension Age will then increase to 66 for both men and women from December 2018 to October 2020.

Under current legislation the State Pension Age is due to rise to 67 between 2034 and 2036 and to 68 between 2044 and 2046. However the government has announced plans to revise the legislation so that the date when SPA rises above age 67 will be linked to increases in life expectancy.

In the future, if your SPA increases, all pension built up in the LGPS 2014 will only be payable unreduced at your new SPA.

EARLY RETIREMENT

Your Normal Pension Age in the LGPS 2014 is the same as your individual State Pension Age, this is the age at which pension will be paid without actuarial reduction or enhancement. There are provisions to pay pension benefits early if a member leaves employment on the grounds of redundancy, efficiency or ill health but separate rules and regulations apply in these cases.

It is also possible to retire early and get an LGPS pension at any age on or after your 55th birthday but the pension will be reduced by a set amount depending on how many years before your Normal Pension Age you wish to retire.

The amount a pension could be reduced by for retiring early is laid out in the table below (part years are calculated on a pro rata basis). These factors are those currently in place however we would expect revised factors (including those for lump sums) reflecting later pension ages to be in place in time for the introduction of the 2014 scheme.

Years Until Normal Pension Age	% Reduction in Pension – Men	% Reduction in Pension - Women
1	6	5
2	11	11
3	16	15
4	20	20
5	25	24
6	29	27
7	32	31
8	36	34
9	39	37
10	42	40

EXAMPLE 1 – voluntary retirement 3 years early

Linda wants to retire at 62. Her State Pension Age and therefore her LGPS 2014 pension age is 65 so she will be retiring 3 years early. This means her pension would be reduced by 15%.

In cash terms this means that although her total annual pension would have been £4,125, as she is retiring 3 years before her Normal Pension Age (65) her annual pension is reduced to £3,506.

EXAMPLE 2 – voluntary retirement 5 years early

Steve works as a refuse operative and wants to retire at 61. His SPA and LGPS 2014 Normal Pension Age is 66. Although his total pension would have been £5,013, by retiring 5 years early this is reduced by 25% to £3,760.

EXAMPLE 3 – different early retirement factors for women and men

Lewis and Wendy are both trading standards officers who coincidently share a birth date. They both want to retire at 8 years early at 60 when their Normal Pension Ages are 68. Although both have an unreduced pension of £4,767, Lewis will see his pension reduced to £3,051 (a 36% reduction) whilst Wendy will receive a £3,146 pension (a 34% reduction) reflecting the different factors for men and women.

LATE RETIREMENT

Members who wish to work beyond their Normal Pension Age may do so. Pensions are enhanced for payment after pension age by 0.014% a day (5.1% per annum).

EXAMPLE 4 – working an extra 6 months

Lena is a town planner with a state and LGPS 2014 Normal Pension Age of 67. She decides to continue working for 6 months after her 67th birthday. Her pension of £8,000 will be enhanced for late retirement to £8,205 a year.

OTHER RETIREMENTS

The provisions for retiring on grounds of ill health, efficiency or redundancy are the same in the LGPS 2014 as they were in the LGPS 2008 except for ill health retirements. Enhancement of service to age 65 for Tier 1 ill health or enhancement for Tier 2 of 25% of service to 65, will be replaced by the same enhancement but based on the individual's Normal Pension Age rather than 65. If your State Pension Age is higher than 65 when you are retired on grounds of ill health, the enhancement will reflect that higher pension age.