

The pension that comes with your job

Your benefits - payment and related issues

Introduction

The time may be approaching for you to receive your pension benefits from the Local Government Pension Scheme. You may, however, only be considering the possibility of leaving your job. This leaflet has been produced to provide information to you about issues related to your benefits.

The pension you have built up in the scheme before April 2014 is fully protected. This means that your pension, based on your membership before the scheme changed, will continue to be based on your final pay when you leave. Your Normal Pension Age is also protected, which means that the benefits you built up before April 2014 retain their Normal Pension Age under final salary scheme rules. For almost all members that is age 65.

Protection is in place to ensure your final pay is used when you leave, to work out your pension on membership up to 31 March 2014. This means that any future pay increases will be included in the final pay used to work out these benefits.

The definition of final pay for benefits built up before April 2014 remains the same as it was before the Scheme changed and if you have protection to use earlier pay (because of a reduction or restriction in pay) then this protection continues in the new scheme.

As already mentioned, the pension you have built up before 1 April 2014 has a protected Normal Pension Age, which for almost everyone is age 65. If you retire and draw your pension at your protected Normal Pension Age, the pension benefits built up in the scheme before 1 April 2014 will be paid in full. If they are paid before your protected Normal Pension Age, your pre 1 April 2014 final salary benefits are reduced, and if paid after your protected Normal Pension Age, your pre 1 April 2014 final salary benefits are increased because they are being paid later.

You cannot take your benefits built up to April 2014 separately from the benefits you build up from April 2014. All your pension would have to be drawn at the same time.

When can I take my pension?

You will be able to choose to retire and draw your pension at any time between age 55 and 75 (but normally need at least 2 years membership to be entitled to a pension benefit).

For the pension you build up from 1 April 2014, your Normal Pension Age is not fixed at age 65 but, instead, is the same as your State Pension Age (with a minimum of age 65). You can check your Normal Pension Age by looking up your current State Pension Age, visit: www.gov.uk/calculate-state-pension. The amount of any reduction or increase will be based on how many years earlier or later than your Normal Pension Age you draw your benefits.

As a guide, the percentage reductions for retirement up to 13 years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

| | Pension Reduction % | Retirement Grant Reduction % |
|-------------|---------------------|------------------------------|
| Years Early | All Members | All Members |
| 0 | 0% | 0% |
| 1 | 5.1% | 2.3% |
| 2 | 9.9% | 4.6% |
| 3 | 14.3% | 6.9% |
| 4 | 18.4% | 9.1% |
| 5 | 22.2% | 11.2% |
| 6 | 25.7% | 13.3% |
| 7 | 29.0% | 15.3% |
| 8 | 32.1% | 17.3% |
| 9 | 35.0% | 19.2% |
| 10 | 37.7% | 21.1% |
| 11 | 41.6% | N/A |
| 12 | 44.0% | N/A |
| 13 | 46.3% | N/A |

Your pension can be paid early if your employer decides you are permanently unable to perform the duties of your job due to ill health and you are not immediately capable of undertaking other gainful work.

If you are made redundant or lose your job for business efficiency reasons when aged 55 or over, your pension will be payable immediately, with no reduction for early payment.

The final calculation

When you leave, your benefits are calculated by the pensions office. Your employer must therefore provide all the necessary information about your cessation of employment to the pensions office. This includes details of the pay upon which you have paid pension contributions during your final year of scheme membership. Although the pensions office always wishes to pay benefits as speedily as possible, it is dependent upon the payroll function of your employer to provide the pay information. Until all wages or salary have been paid to an employee it is not possible to calculate the pay figure upon which the benefits are based.

Your conversion options

Whenever your retirement benefits become due for payment, you will be sent a letter setting out the payment options available to you. For example, under the current (2006) Inland Revenue rules you can elect to give up part of your pension to provide an additional tax free lump sum at the rate of £12 lump sum for each £1 of pension given up - but you may only increase your lump sum up to the permitted maximum under Inland Revenue rules. If you left employment before 6 April 2006 there may be additional conversions options available to you.

Enclosed with the letter will be four forms for you to complete and return to the pensions office. One is a declaration of your marital status and the others relate to the payment of your benefits.

Notification and payment

When you have made your decision as to your chosen level of benefits you will be sent a letter which provides details of the calculation and payment details. Lump sums will be paid directly into

your bank or building society account via the BACS system so that the funds will be cleared within three working days.

Your pension must be paid into a bank or building society account and payments are made on the last working day of each month. We will send you an advice slip in March and April. The only other time we will send you an advice slip is if the net pension (the amount we pay into your bank or building society) changes by £5 or more from the previous month.

Additional Voluntary Contributions (AVCs)

You may have paid AVCs as an investment for your retirement. Once your Local Government benefits are put into payment, the AVC fund must be used to provide an additional pension and/or tax-free lump sum, unless you take flexible retirement when you can defer drawing your AVC pot until you eventually fully retire.

Tax issues

Although your lump sum is tax free, your pension counts as taxable income. Your personal circumstances, and any other income which you receive, will determine whether tax will be deducted from your pension.

Temporary arrangements operate when you first begin to receive your pension. You should not receive a P45 from your employer when you leave your job because the council will normally apply your existing tax code against your pension. You do not however receive any refund of tax. The local tax office is told that you are receiving a pension and you will normally then be sent a form to complete so that your liability for tax can be established. Any change in your tax code will be notified to the council and if a refund of tax is due it will be paid when the revised code is first applied to your pension.

The state retirement pension and other state benefits, such as Income Support, count as taxable income. State benefits are however paid without tax being deducted. Any tax due is therefore normally collected from the pension payable to you by the council.

If you are receiving more than one occupational pension, or if you are working for another employer, you will normally only have your allowances against tax (as represented by your tax code) applied against one source of income.

Re-employment

If you take up further employment, your pension payable by the council is not affected even if you again work in local government, or for an employer who participates in the Local Government Pension Scheme.

Changes in the future

All notifications of a change in address or bank account must be confirmed in writing to the pensions office before the change can be implemented. It should be remembered however that the pension payroll is prepared around two weeks before the end of the month and that it may be necessary to effect a change from the end of the following month. Change of circumstance forms are available on line.

Increases to pensions

- **Qualifying conditions**

A pension which is in payment can be increased

- if the pensioner is at least 55;

- if, being below age 55, the pensioner ceased employment on the grounds of permanent ill-health;

- if, being below age 55, the pensioner has, since leaving, become permanently incapacitated and unable to engage in regular full-time employment.

- **Annual increases**

Pensions normally attract percentage increases each April which are equal to the percentage rise in the Consumer Price Index during the 12 months to the 30 September preceding the April increase. The increase awarded in the first year of payment is however scaled down in proportion to the number of completed months between the date employment ceased and the date from which the increase is payable.

- **Relationship with the State retirement pension**

Pensions awarded in respect of membership between 6 April 1978 and 5 April 1997 normally include a guaranteed minimum which satisfies the requirements for contracting-out of the State Earnings-Related Pension Scheme. When annual percentage increases are awarded after you attain state retirement age, the increase to your guaranteed minimum is normally paid by the State. However, the guaranteed minimum which is attributable to membership between 6 April 1988 and 5 April 1997 does attract an increase paid by the scheme. This is the lesser of the annual percentage rise in the Consumer Price Index, or 3 per cent.

Death benefits for a surviving spouse or partner

A lump sum death grant will be payable if a pensioner dies within 10 years of leaving. An amount equal to 10 years pension, less any pension payments already made, will be paid.

A pension for a surviving spouse or partner will be payable from the day after the date of the pensioner's death and is payable for the survivor's life. A widow's pension will be paid at a rate which is normally not less than half the amount payable to the pensioner at date of death – but where the pension is payable to a widower, civil partner or nominated co-habiting partner, only membership after 5 April 1988 is used in the calculation, unless the employee had made an election to have all or part of their earlier membership used in the calculation of a pension for a surviving husband.

Where entitlement to a survivor's pension has arisen in respect of a marriage which took place after your date of leaving, the pension is only calculated by reference to scheme membership after 5 April 1978 in respect of a widow's pension or 5 April 1988 in respect of a widower's, civil partner's or nominated co-habiting partner's pension. It is payable for life.

Checking your entitlement to state pension

To qualify for the basic state pension you have to pay, or be credited with, sufficient National Insurance Contributions (NICs) during your working life. Your entitlement to the basic state pension may be affected if there are gaps in your NICs record. You may wish to consider filling the gaps by paying extra NICs.

The pensions service provides a service for forecasting your entitlement to the state pension. Contact them direct by phoning 0845 3000168. If you are within three months of your state pensionable age, use the telephone number 0845 6060265. Remember to have your National Insurance number (and your spouse's/ex-spouse's National Insurance Number if applicable). The Tax Reference number is 581 WI 100 P. Their website is:- www.thepensionservice.gov.uk

Protecting your entitlement to state pension

If you are leaving your job before state retirement age, you may need to ensure that your National Insurance contribution record is maintained so that you qualify for the full basic state pension. The staff at your local Jobcentre Plus office can advise you how to protect your entitlement if you are not working. The local telephone number is (01983) 273000.

Further information

This leaflet has been prepared by the Isle of Wight Council Pensions Office. If you need further information about the benefits payable from the LGPS, you should contact:

Pensions Office, Shared Service Centre, Isle of Wight Council,
County Hall, High Street, Newport, Isle of Wight PO30 1UD

Email: pensions@iow.gov.uk

Tel: 01983 823626

Website: www.iwight.com/council/OtherServices/Pensions-IWC

Other useful addresses include –

Jobcentre Plus

(Department for Work and Pensions)

Websites: www.jobcentreplus.gov.uk
and www.dwp.gov.uk

Local Offices: -

• Broadlands House, Staplers Road,
Newport, Isle of Wight PO30 2HX

Telephone: (01983) 273000

• 150 High Street, Ryde,

Isle of Wight PO33 2RE

Telephone: (01983) 276888

Age Concern

• 14 Pyle Street, Newport,
Isle of Wight PO30 1XA

Telephone: (01983) 525282

• 106 Regent Street, Shanklin,

Isle of Wight PO37 7AP

Telephone: (01983) 866109

HM Revenue & Customs

Website: www.hmrc.gov.uk

• PO Box 4000, Cardiff, CF14 8HR

Telephone: 0300 200 3300

(quote reference 581 WI 100P)

• National Insurance Contributions

Telephone: 0300 200 3500

Citizens Advice Bureau

Exchange House, St Cross Lane,
Newport, Isle of Wight PO30 5BZ

Telephone: 0845 1202959

Advice Line: 08444 111 444

For further information on these services see their advertisements in the BT Phone Book.