The Local Government Pension Scheme

Dorset County Pension Fund
administered by Dorset Council

Guide to Retirement

Whether you're leaving your job and taking your pension, or beginning to draw a deferred pension from a previous employment, there are considerations for you to take into account, forms to complete, and decisions to make.

This factsheet will guide you through these decisions, help you to understand how and when your pension will be paid, and provide a background into how your pension is calculated.

If you are leaving your current job and taking your LGPS pension immediately, please be aware that this process may take several weeks to complete before you receive your payment.

What's the process for taking my pension?

Leaving your current job and taking an LGPS pension

Step 1 Talk to your employer and agree your retirement date

Step 2 Your employer gives Dorset County Pension Fund (DCPF) information about your pay, leaving date and reason for leaving once your final salary payroll payment has been made. If you retire near the beginning of the month, there may be some delay in your employer being able to provide this information

Step 3 DCPF prepares your pre-retirement pack and sends it to your home address

Step 4 You return the pension forms and any certificates that are requested.

Remember once you have made a decision on:

- whether to swap pension for lump sum
- whether to take pension early with reduction
- how you want your in-house AVC to be paid

These decisions are final and cannot be reversed

Step 5 DCPF arranges payment of your pension and any tax-free lump sum after your retirement date.

Taking LGPS pension from a job you have previously left

Step 1 Request pre-retirement pack from DCPF on chosen date (providing one month's notice)

Step 2 DCPF prepares your pre-retirement pack and sends it to your home address

Step 3 You return the pension forms and any certificates that we have requested.

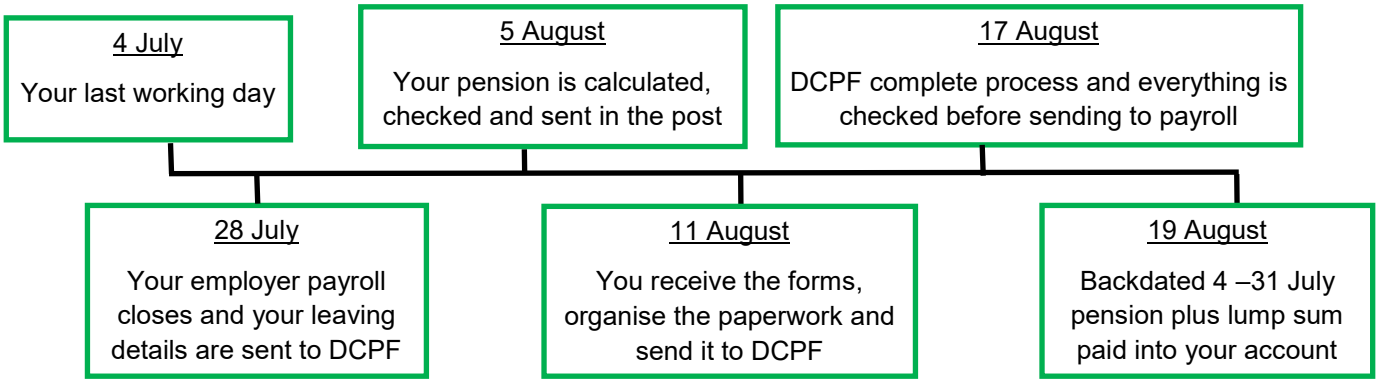
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- whether to swap pension for lump sum
- whether to take pension early with reduction
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These decisions are final and cannot be reversed

Step 4 DCPF arranges payment of your pension and any tax-free lump sum after your retirement date.

Example timeline



What will be included in my pre-retirement information pack?



In order to get your pension into payment there are a number of forms you will need to complete. Enclosed within your pre-retirement pack you will find:

- Covering letter - please ensure you read this document carefully, as it contains important information surrounding the payment of your pension.
- A Bank form - for detailing a bank account into which your pension and lump sum (if applicable) will be paid into. No bank form will be sent if you are already in receipt of a pension.
- An HMRC form - which must be completed, declaring details of other pension funds you may have.
- A Conversion form (if applicable) - for electing whether or not you would like to create / increase an additional lump sum payment, or in some circumstances, an additional pension.
- A Partnership Status Form - For declaring your marital status, containing a reminder to send in copies of any relevant certificate
- An Expression of Wish form - this is used for you to nominate or update your beneficiary that would receive any death grant that may be payable. Please see the section ' **In the event of my death what benefits will be paid'** further in this guide for more information.
- Pension Membership form - will only be sent if we are yet to receive a completed membership form from you in respect of the particular employment from which you are leaving.
- An early election form - only sent in circumstances where a reduction would be applied to your pension.
- Benefit Calculations - these show how your scheme benefits have been calculated.

When will I get my money?



The Dorset County Pension Fund can only make payment of your pension / lump sum upon receipt of all fully completed documents and certificates that we require. This includes all documents included within the pre-retirement pack, **and** a completed document from your employer which contains vital information surrounding your pay and service details. No exception will be made if these documents are not received from either party. Please note your employer will be unable to provide the necessary information regarding pay and service until the payroll for your month of leaving has closed. This may result in a delay in providing your pension and lump sum.

Lump Sum

Any lump sum due to you will be credited directly to your bank account, via a BACs payment. We aim to process this payment within 10 working days of receipt of all required documents from the member and employer.

Monthly Pension

You will receive your monthly pension on the last working day of each month. Please note that your monthly pension payments may not begin on the first month following your retirement, as your employer's payroll may not be finalised. In these cases, pension payments will commence the following month, and an arrears payment will be made to you to cover any pension outstanding to this date.

How can I use my in-house AVC fund on retirement?

There will be a number of available options to you upon retirement for how you would like to use your AVC fund. Please refer to your pre-retirement letter to see the options available to you. In summary, the different ways you may be able to use your AVC account when you retire are:

- Take up to 100% of your AVC fund as tax free cash - if you take your AVC fund at the same time you draw your main scheme benefits. (Limits apply to the maximum amount of tax-free cash that can be taken from your pension savings. Final amounts will be confirmed on retirement).
- Buy a pension (annuity) - from a private pension company, bank or building society of your choice. Your chosen provider will take your AVC fund and pay you a pension in return. The amount of pension you are paid depends on several factors such as your age, and if you want to provide for dependent benefits in the event of your death.
- Buy a top-up LGPS pension - you may be able to elect to enhance your LGPS pension using your AVC fund.
- Buy extra membership in the LGPS - but only if your AVC contract commenced before 13 November 2001.

Please note that the Dorset County Pension Fund will have to liaise with your AVC provider upon your retirement to arrange payment of your AVC. This may cause a delay to the payment of some, or all, of your benefits.

How will my pension be calculated?

The LGPS changed from a final salary scheme to a career average (CARE) scheme on 1 April 2014. From 1 April 2014, the benefits built up in the LGPS are worked out under the rules of the CARE scheme. If you joined the Scheme before 1 April 2014, you will also have built up benefits in the final salary scheme.

How your benefits are worked out after 1 April 2014

Each year, 1/49th of your pensionable pay is put into your pension account. Your pension is protected if your pay is lower than usual because of sickness or child-related absence.

At the end of each year, your pension account is adjusted to take into account the cost of living. The table in the example below shows how this works.

How your benefits are worked out between 1 April 2008 and 31 March 2014

For membership built up between 1 April 2008 and 1 April 2014, you will receive a pension of 1/60th of your **final pay**.

Your **final pay** is usually the full-time equivalent pay earned in the 365 days before leaving the Scheme. Pay from one of the two previous years can be used, if it is higher.

How your benefits are worked out before 1 April 2008

For each year of membership before 1 April 2008, you will receive a pension of 1/80th of your **final pay**, and a lump sum of 3/80ths of your **final pay**.

Working part-time

If you worked part-time before 1 April 2014, your membership is reduced accordingly. For example, if you worked 18.5 hours per week and the full time equivalent hours for the job were 37 hours per week, your membership will be reduced by 18.50/37.00, which is half. We use your full-time equivalent pay to calculate your benefits.

The following example shows how LGPS benefits are calculated for a member:

- retiring at normal pension age on 31 March 2019
- with 39 years of LGPS membership
- whose final pay is £22,000

who has built up a pension account since 1 April 2014 as shown in the table.

Example - calculation of LGPS benefits

Benefits based on 28 years' membership up to 31 March 2008:

Pension: 28/80th x £22,000 = **£7,700**

Lump sum: 3 x 28/80th x £22,000 = **£23,100**

Benefits based on six years' membership from 1 April 2008 to 31 March 2014:

Pension: 6/60th x £22,000 = **£2,200**

Benefits built up in the career average scheme from 1 April 2014

Scheme year	Opening balance	Pension built up in Scheme year	Total account 31 March	Cost of living adjustment (CPI)	Updated total account
2014/15	£0.00	£18,500 / 49 = £377.55	£377.55	£4.53 (1.2%)	£382.08
2015/16	£382.08	£19,000 / 49 = £387.76	£769.84	-£0.77 (-0.1%)	£769.07
2016/17	£769.07	£20,000 / 49 = £408.16	£1,177.23	£11.77 (1.0%)	£1,189.00
2017/18	£1,189.00	£21,000 / 49 = £428.57	£1,617.57	£48.53 (3.0%)	£1,666.10
2018/19	£1,666.10	£22,000 / 49 = £448.98	£2,115.08	£50.76 (2.4%)	£2,165.84

The member is entitled to:

Annual pension	**£12,065.84**

Which is made up of pension built up:

before 1 April 2008	£7,700.00
between 1 April 2008 and 31 March 2014	£2,200.00
after 31 March 2014	£2,165.84

Tax-free lump sum	**£23,100**

Further information

For more information about how to work out your LGPS benefits and to use an online modeller, please visit the LGPS member website at www.lgpsmember.org.

Why would a reduction be applied to my pension?

If you have chosen to voluntarily leave your job before your Normal Pension Age (NPA), which is generally your State Pension Age, and you are above the age of 55, we will write to you to offer payment of your pension. Your benefits will be reduced to take account of your pension being paid earlier. Your benefits are initially calculated as detailed in the section '**How will my pension be calculated?'** section earlier on in this guidance, and then a reduction is applied. The reduction depends on how early you take them.

As a guide, the current percentage reductions for annual pensions taken 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.

Number of years paid early	Pension Reduction	Lump Sum Reduction
1	5.0%	2.0%
2	9.6%	3.9%
3	13.9%	5.8%
4	17.8%	7.6%
5	21.5%	9.4%
6	24.9%	11.2%
7	28.1%	12.9%
8	31.1%	14.7%
9	33.9%	16.3%
10	36.6%	18.0%
11	39.0%	N/A
12	41.4%	N/A
13	43.6%	N/A

Please note that if you were in the LGPS before the 1st of April 2014 your benefits built up before that date will have a Normal Pension Age of 65. If you have been in the LGPS both before and after 1 April 2014, the different elements of your pension as discussed in the '**How will my pension be calculated?'** section previously will have different reductions applied, if applicable. This could mean that there is a reduction showing for one part of your pension, but not the other.

You can reduce or avoid the reductions by not taking immediate payment of your benefits upon leaving your job. In your **pre-retirement information letter**, a form will be included for you to complete and return, which informs us of your wish to postpone payment of your pension until a later date.

Rule of 85 Protection

If you were a member of the LGPS at anytime between 1 April 1998 and 30 September 2006, some or all of your benefits could be protected from an early payment reduction under what is called the Rule of 85. If you have Rule of 85 protection this continues to apply from 1 April 2014. The only occasion where this protection does not automatically apply is if you choose to voluntarily draw your pension between age 55 and 60.

For more information on the Rule of 85 protections, please see the LGPS Member website at https://www.lgpsmember.org/more/eightyfive.php, which explains how any protections may apply to you

Is my pension affected if I return to work?

Your pension is not affected if you return to work, unless you have been retired by reason of ill-health, where an enhancement has been made, or your employer has agreed to award additional benefits to your pension upon retiring.

If this is the case and you take up further employment with an employer which participates in the Local Government Pension Scheme (LGPS), your pension may be reduced or suspended if the combined annual income from your new employment and your pension exceeds your pay immediately before your retirement.

If you do become employed under the conditions above, you are required by the LGPS regulations to:

- Tell your employer that you have a pension from the LGPS
- Write to the Dorset County Pension Fund giving full details of your further employment.

If you don't do this your pension may be overpaid and you will have to re-pay any overpayment of pension.

In the event of my death what benefits will be paid?



Once you take your pension, it is paid to you for the rest of your life.

If you die after you have taken your pension, payment of your pension will stop. Your next-of-kin or person dealing with your estate should inform the Dorset County Pension Fund of your death. They should do this as soon as possible so your pension is not overpaid.

A death grant may be payable to your nominated beneficiary / next of kin, depending on your membership of the scheme and how long you have been in receipt of your pension.

A survivor pension will be paid to your spouse or civil partner after you die. A survivor pension may be paid to your cohabiting partner and/or children, subject to certain qualifying conditions.

You can find out more about death benefits in the LGPS on the LGPS member website at www.lgpsmember.org. You can also watch the Pensions made simple videos, including 'Protection for your family' at https://www.lgpsmember.org/help-and-support/videos/ .

Tax on your pension



When your pension commences you may pay more tax than anticipated, HMRC will be notified of your new pension and will issue the pension fund a new revised tax code which will be applied going forward, Any adjustment to the tax you have paid will be subsequently adjusted. All queries relating to tax should be sent to HMRC.

Anything else I should know?

Please make sure that the Dorset County Pension Fund are kept updated, in writing, with any changes to your personal details or circumstances. These include address changes, bank details and marital status.

Please contact us: Dorset County Pension Fund, County Hall, Dorchester, Dorset. DT1 1XJ

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