



Thinking about retirement factsheet

Is retirement the right choice for you?

As choosing the right time to retire is a major decision, we have produced this factsheet to highlight some key factors you will need to think through when you are deciding to retire by voluntarily resigning. The factsheet also touches on unplanned redundancy or ill health.

Planning your time...

Before making your decision, you should consider what you will do in retirement. Try to imagine what a normal week in retirement would look like, both in summer and in winter:

- What structure would your life in retirement have?
- Is being supergran / supergrandad for you?
- What might you miss about not going to work?
- How much time do you want to spend with your family?
- How do friends and family who have already retired spend their time?

Be sure that you know why you want to retire. Your options could include:

http://www.worcestershire.gov.uk/info/20530/be_active/1594/get_active_your_way
<https://www.worcestercommunityaction.org.uk/volunteering-opportunities>

Planning your money...

It's simple maths that the younger you retire, the longer that you can expect to be in retirement and therefore the more money that you will need in retirement.

Your latest Local Government Pension Scheme (LGPS) annual benefit statement issued every August sets out the benefits that you have built up so far. It assumes that you take these benefits in full at your normal pension age. It also shows what you might expect to receive at your State Pension age if you remain employed.

Understanding **how much** money you and your family will need to live on in retirement and 'estimating' how long you will be in retirement for is a 'must do' before you decide to retire.

As finding a new job may not be easy / as well paid once you have resigned, ask yourself:

- Will you have less money coming in / what will your State pension be?
- How much tax will you need to pay?
- What job-related costs like commuting would not need to be met if you retired?
- How much extra spending money might you need for the things you want to do?
- How would you cope with an unexpected big bill?
- Do you know what you buy and how much you spend each week / month?
- Have you planned for your spouse / partner also retiring or dying or moving out?

Your retirement options...

If you ask your employer to go part time, you cannot access your LGPS benefits. However, you can access your LGPS benefits by asking your employer to consent to your **flexible**

retirement if you would be happy to reduce your hours or job grade in accordance with your employer's flexible retirement policy.

If you choose to receive your LGPS benefits and take up another job either in the public or private sector, it won't affect your LGPS benefits.

Benefits payable at different retirement dates...

Your contributions entitle you to LGPS benefits at normal pension age that are calculated as shown in the table below. The right column is a year's accrual for a £30,000 full time worker.

Membership	Annual pension	Lump sum	Per year of service
Up to 31 March 2008 (normal pension age: 65)	Membership in years and days x final full-time equivalent pay ÷ 80	3 x annual pension	1 X 30,000 ÷ 80 = £375 p.a. plus £1,125 lump sum
From 1 April 2008 to 31 March 2014 (normal pension age: 65)	Membership in years and days x final full-time equivalent pay ÷ 60	No standard tax-free cash lump sum	1 X 30,000 ÷ 60 = £500 p.a.
From 1 April 2014 (normal pension age: SPa)	Pensionable pay for each year ÷ 49 revalued by CPI	No standard tax-free cash lump sum	1 X 30,000 ÷ 49 = £612.24 p.a.

Taking LGPS benefits before their normal pension age (unless they are being taken on ill health or redundancy) will mean that they will be reduced to reflect the expectation that they will be paid for longer.

The Rule of 85 only kicks in if you resign and retire aged at least 60. This means if you voluntarily take your pension benefits at 55 all of them will be reduced by at least 22.2%, see pages 110 to 112 of our [Guide to the LGPS](#).

Even if you are 60 it is unlikely that all benefits will be protected by the Rule of 85:

When were benefits earned?	Up to 31 March 2008	1 April 2008 to 31 March 2016	1 April 2016 to 31 March 2020	From 1 April 2020
Rule of 85 Status	Protected if in LGPS before 1 Oct 2006	Protected if born before 1 April 1956	Tapered protection if born between 1 April 1956 and 31 March 1960	No protection for any members

As your benefits are likely to be less than the figures on your annual benefit statement, make sure that you [understand what you would receive from the LGPS](#) before you resign and opt for retirement. Also check your statement has your correct pay and membership details.

If you request a pension estimate from us, choose your most likely retirement date. Varying your retirement date by a year usually makes little impact on what you would receive, as the difference in early retirement reductions and your extra time in the LGPS do not usually make a large impact on your benefits.

Is giving up some of your pension for cash right for you?

When you retire you don't necessarily have to take standard LGPS benefits. You have the irreversible, one-off option (up to the maximum limit set by Her Majesty's Revenue & Customs) to give up £1s of inflation-proofed annual pension for life for £12s of tax-free cash lump sum at retirement. When deciding to give up pension for cash, ask yourself:

- How long you expect to live after retirement.
- What your tax rate in retirement will be.
- What you plan to do with your tax-free lump sum.

£12 tax-free up front instead of £1 taxed for life sounds great. However, at 60 average life expectancy is 30 years. Also, if you are taking a lump sum to invest, you are taking on risk.

AVCs, additional voluntary contributions, or APCs, additional pension contributions

As part of your planning in the years before you retire there are a couple of ways of topping up your LGPS benefits if you have spare cash:

1. You could make [AVCs](#) and not only reduce the tax you pay but also at retirement be able to take 100% of your AVC fund as tax-free cash.
2. You could make [APCs](#) to buy extra pension with the benefits of tax relief.

Paying your benefits...

Worcestershire Pension Fund can only act on the instructions of your employer.

So, if you are thinking about retiring, you will need to look into the possible terms of accessing your LGPS benefits with your employer before telling them you want to resign.

We need your pensionable pay to be finalised after your last pay date to allow us to calculate your benefits. Your employer also needs to confirm your pensionable service.

Once we have calculated your benefits, we will send you the paperwork that you will need to complete to receive your benefits. We will not supply you with a further calculation of your benefits unless the amounts have changed significantly.

You will need to confirm the tax-free lump sum you want and which bank account you wish your benefits to be paid into. You cannot elect to give up lump sum to increase your pension.

Being a pensioner...

Once we have received your paperwork, we will add you to our pensioner payroll. We will pay your lump sum with your first regular monthly pension payment on the last working day of the month.

The cut off for our monthly pensioner payroll run is in the middle of that month. Therefore, you and your employer need to supply us with everything we need in good time to include you in the earliest possible pensioner payroll run following your retirement date. If there is a gap between your retirement date and your first pension payment, we will make a backdated payment. However, you may want to put money aside from your last few pay days to cater for any gap between your last pay date and your first pension payment.

We will send you a payslip with your first payment and then every April. We will not send you a payslip each month. We will also send you a P60 after the end of each tax year.

What happens when a pensioner dies...

After the death of a pensioner who was previously an employee member, the LGPS provides an automatic pension to the deceased's husband, wife or civil partner. It may also provide a pension to eligible children or an eligible co-habiting partner.

Depending on how long the pensioner has been on pension, we may also pay a lump sum death grant. You can make a [nomination](#) to guide us who to pay it to using our absolute discretion. You should regular review your nominations and advise us of any changes.

Finally, but importantly...

Before you make any decision about your LGPS benefits, we suggest that you seek financial advice. Resigning and retiring is a big decision. Unexpected changes in pension or tax regulations can undo the best laid plans.

Talk to your employer if they are restructuring or downsizing, as they may be willing to consider declaring your position as redundant, and as long as you are aged 55 or over your pensions benefits to your leaving date can be released.

If you are unwell (normally it is likely that you would be off sick) and feel that you are unable to continue in your current role or to undertake any other work as a result of your poor health, you should discuss this with your employer as they can consider referring you to an independent registered medical practitioner (not your own doctor) who can certify whether in their opinion you are permanently unable to carry out your current role or future roles and to what degree. It is important that you discuss this with your employer, as they (not you) would need to terminate your employment contract if they support an early release of your pension benefits on the grounds of permanent ill health. There is no minimum age limit and pension benefits released in this way may be enhanced based on your employer's decision on your future ability to work.

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