



**Staffordshire
Pension Fund**
Local Government Pension Scheme

Employer Factsheet

Types of Retirement

Issue Date March 2024

Under the Local Government Pension Scheme (LGPS) 2014, the normal retirement age for members is their state pension age or age 65, whichever is later.

The LGPS offers six types of retirement, which can be described as either 'employee driven' or 'employer driven' (where the employer must give consent):

Employer driven

- Flexible retirement
- Redundancy/efficiency
- Ill health retirement

Employee driven

- Normal age retirement
- Late retirement
- Early voluntary retirement (however, if the employer is intending to waive any actuarial reduction or switch on the 85-year rule protection, then it becomes employer driven).

Employer Driven Retirement Costs

In any case of potential employer driven retirement, the employer is advised to obtain an estimate of benefits from Staffordshire Pension Fund to determine any 'strain cost' that the employer would need to pay to the Fund.



Flexible Retirement

Under the regulations and subject to the Employers' consent, once an employee reaches age 55, they may remain in employment and draw their retirement benefits. However, there are certain conditions that must be met:

- The employer must agree to the release of the pension.
- The employee must reduce either their hours, and/or their grade. The specific reduction required is not set out in the regulations, but instead must be determined by the employer, whom must specify the requirements within their published flexible retirement policy.

Most employees take flexible retirement before their normal retirement age, so the benefits to be paid will be actuarially reduced. The employer has the option of waiving this reduction, but this would result in a 'strain cost'.

It is advisable for employers to obtain an estimate of benefits from the Staffordshire Pension Fund to determine any 'strain cost' that would be payable by the employer before flexible retirement is agreed.

Employers should make sure that they have a policy in place to cover flexible retirement. Staffordshire Pension Fund is unable to process flexible retirements where no policy exists.

Redundancy/Efficiency Retirement

If an employee's employment ceases due to redundancy or efficiency, or the employment is terminated by mutual consent on grounds of business efficiency, and the employee is age 55 or over, and they have at least 2 years' service, the member is entitled to and must take their pension benefits immediately without any actuarial reduction.

In most cases of redundancy/efficiency, there will be a 'strain cost' to the employer. Therefore, the employer should always ask for an estimate in any cases where the member would be age 55 or over at the date of employment ceasing.



Ill Health Retirement

Active Employees

A member can be retired on ill-health grounds if they're medically certified as being 'permanently incapable of discharging efficiently the duties of his or her current employment'.

The LGPS provides three levels of ill-health retirement benefits; depending on how likely it is that the member will be able to find work again before retirement age. These three levels are known as Tier 1, Tier 2 and Tier 3.

The employer decides if a member qualifies for ill-health retirement and which tier applies; but in doing so, must have regard to the advice of a doctor qualified in occupational health medicine.

Ill health retirements do not incur a 'strain cost', as the cost is built into the employers' contribution rate as part of the triennial valuation.

Deferred members

An ex-employee, with an entitlement to preserved benefits can ask their previous employer to release their pension on the grounds of a permanent breakdown in health.

The process is very much the same as an active member; however, the benefits and conditions for eligibility, along with the correct certificate, will depend on the date at which the member became entitled to the preserved benefits (leaving date).

Full details and further guidance on the ill health retirement process can be found at the following link:

<https://www.staffspf.org.uk/Employers/Ill-health-retirement/Ill-Health-Retirement.aspx>



Early Voluntary Retirement

Once an employee reaches age 55, they can simply resign from their employment and start drawing their pension benefits. However, if they have not reached their normal retirement age under the scheme, then the benefits would be actuarially reduced.

There is not normally any strain cost associated with this type of retirement. However, should the employer decide to waive the actuarial reduction there would be a strain cost payable to the fund.

Normal Age & Late Retirement

Once an employee reaches their state pension age, or age 65 if later, they can simply resign from their employment and start drawing their pension benefits. This is simply 'normal age retirement', as the member is retiring at their normal retirement age under the pension scheme regulations.

If a member retires later than their normal retirement, the pension benefits are increased for taking them late.

Early Payment of Deferred Benefits

Once an ex-employee who has a preserved benefit within the LGPS reaches age 55 they can apply to the Staffordshire Pension Fund for their pension benefits to be paid early. However, if they have not reached their normal retirement age under the scheme, then the benefits would be actuarially reduced.

There is not normally any strain cost associated with this type of retirement. However, should the employer decide to waive the actuarial reduction there would be a strain cost payable to the fund.

To contact us for more information.

Email us: pensions.employers@staffordshire.gov.uk

Telephone us on: **01785 278222**

You can also visit our website at: www.staffspf.org.uk

