The Local Government Pension Scheme

Flexible Retirement
Flexible Retirement

What is flexible retirement?

Basically, this is an option to draw all or part of your retirement benefits before normal retirement age and while you are still working.

Can anyone do this?

No – certain conditions apply and your employer's consent is required.

What are the conditions?

To be eligible for flexible retirement you must –

- have at least 2 years' membership of the Local Government Pension Scheme ("LGPS") or, if less, have had a transfer of pension rights into the LGPS from some other pension arrangement which bring your total membership to 2 years;
- be age 55 or over;
- reduce the hours you work, the grade in which you are employed, or a mixture of both, with the consent of your employer;
- have your employer's consent to take immediate payment of benefits notwithstanding that your employment is continuing; and
- have given written notice to Staffordshire Pension Fund that you wish to take immediate payment of your benefits. Form PEN FR 5 is supplied for this purpose.

Can I continue to pay into the LGPS if I take flexible retirement?

Yes. By doing so you would build up an additional amount of retirement benefits. You would remain in the LGPS unless you give written notice to your employer that you wish to opt out. You can opt out of the LGPS at any time during your post-retirement employment but, if you want to leave with effect from day one of that employment and ensure that no pension contributions are deducted, you should give your employer advance notice of this, i.e. before the flexible retirement takes place.

It is important, however, that you should not specify an opting-out date earlier than the reduction in hours/grade or you may invalidate the flexible retirement. To avoid this problem, if you wish to opt out you should complete Form PEN FR 12 if you are an employee of Staffordshire County Council or Form PEN FR 12A if you are an employee of any other employing body in the Staffordshire Pension Fund. These forms are designed for those who take flexible retirement; they are worded so that you give notice that you wish to leave on the day the reduction takes effect. If you are considering opting out immediately upon taking flexible retirement ask your employer for a form if one has not already been issued to you. Then, if you wish to proceed, get the notice to your employer before your flexible retirement to ensure that no contributions are deducted from your pay in your post-retirement employment. But please ensure that the date you give in that notice, i.e. the date on which you wish to stop being a member, is not earlier than the date of the reduction in your hours/grade, otherwise you may invalidate the flexible retirement.

For example, if you take flexible retirement when your hours reduce with effect from, say, 21 June, and you do not wish to pay contributions in post-retirement employment, specify 21 June on the form as the day you wish to opt out and send it to your employer before the payroll “close-down” date for the month of June. Do not specify a date before 21 June.
How much would I receive on flexible retirement?

For membership of the scheme before 31 March 2014 the benefits would be based upon length of membership (this includes any service credit for pension rights you have chosen to transfer from an earlier pension arrangement) and your pensionable pay averaged (normally) over the final year of membership immediately before the reduction in pay or grade. For membership of the scheme after 1 April 2014 the benefits would be based on your actual pay earned in each year and build up each year in a pension account. "Benefits" means a retirement pension, possibly a lump sum retirement grant plus, where relevant, a pension for a surviving spouse, civil partner or eligible nominated cohabiting partner, and for eligible children.

Retirement pension and retirement grant

On retirement you would receive –

- an annual pension of 1/49th of actual pay (1/98th if you have elected to join the 50/50 Section of the scheme) for each scheme year of membership which counts after 1 April 2014, revalued in line with HM Treasury Orders,
- an annual pension of 1/60th of final pay for each year of membership which counts between 1 April 2008 and 31 March 2014, plus
- an annual pension of 1/80th of final pay plus a tax-free lump sum of 3/80ths of final pay for each year of membership which counts before 1 April 2008.

At the time that you retire there is an option to commute part of the pension to provide a tax-free lump sum (or additional tax-free lump sum if you have membership before 1 April 2008).

There may, however, be a reduction applied to your benefits to reflect the fact that they are being paid early. Pension Services will be able to advise you of whether or not a reduction would apply. If it does, your employer will have discretion to waive it – but then the employer is required to meet the cost of early payment of benefits by reimbursing the Pension Fund. Your employer will be able to tell you how they exercise this discretion.

Survivors’ benefits

There is cover for a pension for a surviving spouse, civil partner, (nominated) partner and any eligible children in respect of your flexible retirement pension. (Similar cover would apply in respect of any subsequent LGPS membership after flexible retirement.) The amounts depend upon various conditions and so you should contact Pension Services if you need guidance relating to your personal circumstances.

Death grant

There is also provision for a death grant if you die before your 75th birthday. This is based on a "10 year guarantee" of pension payments. For example if, at the time of your death, you have received instalments of flexible retirement pension for only 4 years, there would be a death grant payable equivalent to 6 years' worth of instalments. In addition to this, if you have remained a member of the LGPS and you die in service, an assessment would be made to check if a higher Grant would be due equal to 3 times your actual pensionable pay (based on your reduced hours if applicable) in respect of your post-retirement membership instead of the Death on Pension Grant.

The death grant is normally paid to your legal personal representatives as named in Grant of Probate or Letters of Administration, but you can nominate an alternative recipient. Relevant notes about what is payable in the event of death and the forms to nominate recipients for death grants can be obtained from Pension Services or can be downloaded from the Pension Fund website.
Pensions increase

The flexible retirement pension will be “inflation-proofed” by increases applied under Pensions Increase Acts and Orders.

I have been making additional payments to increase my benefits. What happens to those if I take flexible retirement?

If you were a member before 1 April 2008 and have been purchasing extra years and days of membership under the LGPS Regulations 1997 by the payment of additional contributions, you have two options. You can –

- elect immediately before flexible retirement to stop paying the contributions; you would then be credited with the period of membership you had purchased at that date and this membership would be included in the calculation of your flexible retirement pension.

or

- you can continue paying the additional contributions; this is subject to you remaining a member of the LGPS after flexible retirement. The additional contributions may need to be adjusted in line with your reduced pay and if they are, this may mean that the future rate of accrual of additional years of service may reduce.

If you have been paying Additional Regular Contributions ("ARCs") under Regulation 14 of the LGPS Regulations 2008 or Additional Pension Contributions ("APCs") under Regulation 16 of the LGPS Regulations 2013 similar provisions would apply – if you choose to stop paying immediately before you take flexible retirement you would be credited with the additional amount of pension that you had "purchased" by that date.

You should remember that if your flexible retirement pension is reduced to reflect early payment, so are any benefits derived from additional contributions, ARCs and APCs.

If you have been paying Additional Voluntary Contributions to a life assurance company through an arrangement with the Staffordshire Pension Fund, these can be released on flexible retirement or you can continue payment if you remain a member of the LGPS.

Where can I get further information?

Discussions about the possibility of flexible retirement should be with your employer. If you need further information about the rules or about taking only part of your pension when taking flexible retirement, contact Pension Services as follows:

Pension Services Section, Staffordshire County Council,
2 Staffordshire Place, Tipping Street, Stafford ST16 2DH
Telephone: 01785 278222
E-mail: pensions.enquiries@staffordshire.gov.uk
Website: www.staffspf.org.uk

These notes are for guidance only and should not be taken as a complete statement of the law. Pensions legislation is continually changing and these notes can only offer guidance on the rules as at the date of issue. Members of the Pension Services Section can explain the rules of flexible retirement to you, but they cannot advise you what to do. If you need assistance with financial planning you may find it helpful to speak to an independent financial adviser (who may charge for the service).

If a copy of this information is needed in large print, Braille, another language or on cassette or disc, please contact Pension Services