



Roselands & Stafford
Federation

East Sussex County Council

Retirement and

Pensions Policy

Document control:

Adopted by the full Governing Body on:

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Retirement and Pensions Policy

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Document summary

This policy covers the retirement options available to County Council employees aged 55 or over, who are members of the Local Government Pension Scheme (LGPS) and the LGPS benefits and compensation that apply when the employment contract is terminated by either the employee or the County Council.

Enquiries

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1. The scope of this policy

- 1.1. This policy applies to County Council employees, including schools based employees where the Governing Body has adopted the policy (subject to such other changes which may have been adopted by the Governing Body of the school). Therefore, throughout this policy, reference to the County Council includes schools.
- 1.2. This policy does not apply to employees on Teachers' Terms and Conditions of Employment or those in the Teachers' Pension Scheme (TPS). These employees seeking guidance on redundancy payments should refer to the [Retirement, Pensions and Redundancy Policy for Teachers](#) and to the TPS website www.teacherspensions.co.uk
- 1.3. This policy does not apply to County Council employees on NHS terms and conditions of service, who are eligible for membership of the NHS Pension Scheme. These employees should refer to the NHS Pension Scheme website <http://www.nhsbsa.nhs.uk/Pensions>
- 1.4. If further guidance is required, contact the HR Advisory Team.
- 1.5. Employees who are in scope of this policy and wish to know about the terms of redundancy should refer to the [Managing Change Policy](#) and the [Voluntary Severance Scheme](#).

2. Retirement – general information

- 2.1. The abolition of the default retirement age from 1 October 2011 broke the historic link between retirement age and the age at which pension benefits may be accessed. The date of retirement is now a matter of choice for each employee depending on their individual financial and other circumstances.
- 2.2. Currently the State Pension is paid when men reach the age of 65. Between 2010 and November 2018 the State Pension Age for women (historically age 60) will gradually be brought into line with men, so that everyone will receive the State Pension at the same age. From December 2018 the State Pension Age for both men and women will start to increase from 65 to reach 66 by October 2020.
- 2.3. There are Government proposals to bring forward a further proposed increase in the State Pension age to 67 from 2034-2036 (which is already legally agreed) to between 2026 and 2028. Between May 2044 and March 2046 the State Pension age will be raised again to 68 under current legislation. See <https://www.gov.uk/changes-state-pension>
- 2.4. From 1 April 2014, the age at which you are able to access your State Pension is referred to in the Local Government Pension Scheme (LGPS) as the Normal Pension Age (NPA) and is the age at which an LGPS member may access their LGPS pension benefits without actuarial reduction.
- 2.5. If your State Pension Age increases in the future, then your Normal Pension Age for the LGPS pension you build up from April 2014 will also be increased.

- 2.6. Employees may opt to retire at any time after they reach age 55 and before they reach age 75. State Pension will not be paid before the Normal Pension Age is reached and LGPS benefits will be affected as outlined in [Section 3](#).
- 2.7. All employees are encouraged to discuss their retirement plans informally with their managers at regular intervals, prior to giving notice of retirement, to enable effective succession planning to take place.
- 2.8. Employees aged 55 and over wishing to retire and access their LGPS pension benefits will need to serve notice of their resignation in accordance with the terms of their employment contract.

3. The Local Government Pension Scheme (LGPS) 2014

Access to LGPS pension benefits

- 3.1. The LGPS offers its members the flexibility to retire between the ages of 55 and 75, and to contribute to the LGPS beyond their Normal Pension Age, if they continue in local government employment.
- 3.2. Pension benefits will be reduced if drawn before Normal Pension Age and will be increased if deferred beyond Normal Pension Age, using a formula based on actuarial tables.
- 3.3. When the employment is terminated for reasons of ill health, access to pension benefits is automatic, regardless of age, provided the employee has a minimum of 2 years' membership in the LGPS. Please refer to the [Ill Health Retirement/Termination Policy](#).

Accrual rate of LGPS pension benefits

- 3.4. From 1 April 2014, the LGPS became a Career Average Revalued Earnings (CARE) scheme:
 - For each year in the scheme from 1 April 2014, you will build up a pension based on your pensionable pay (actual pay including non contractual overtime and additional hours) in that year.
 - For each scheme year that you are a member, a pension equal to 1/49 of your pensionable pay will be added to your Pension Account.
 - Inflation increases will be added to ensure that your Pension Account keeps up with the cost of living based on the Consumer Prices Index (CPI).
- 3.5. A worked example of the pension calculation can be found on <http://LGPS2014.org>
- 3.6. If you hold two or more separate pensionable part-time employments you will have two or more Pension Accounts. Each of these will be calculated on the basis of the pensionable pay for each employment.
- 3.7. Members must contribute to the LGPS for at least 2 years to qualify for payment of pension benefits.

50/50 contributions

- 3.8. Members may opt to pay 50% of the normal employee contribution, but the pension benefit will be reduced by 50% for the duration of this option.

Refund of contributions

3.9. If you voluntarily leave with less than two year's membership in the LGPS, you will receive a refund of your pension contributions, unless you choose to transfer your pension out to another pension scheme.

3.10. However, if you were:

- in the scheme before 1 April 2014;
- leave after then; and
- you have been in the scheme for three or more months, but less than two years;

then you will have the choice of:

- taking a refund of contributions; or
- having a deferred pension or
- transferring your pension out to another pension scheme.

Deferred benefits

3.11. If you have been in the LGPS for two years or more, and you leave before you can take immediate payment of your pension, then the amount of pension you've built up is deferred. The amount of your deferred pension is increased every year in line with the cost of living - as currently measured by the Consumer Prices Index (CPI) - to ensure it keeps its value.

3.12. Your deferred benefit will be paid at your Normal Pension Age unless you choose to take it before then, when it would normally be reduced, as you would be drawing it early, or you choose to take it later, when it would be increased because you would be drawing it later.

3.13. Remember any future changes to State Pension Age will mean that your Normal Pension Age for the part of the deferred benefits built up from 1 April 2014 will also change. However, if you were in the scheme before 1 April 2014, the protected Normal Pension Age for the part of the deferred benefits built up before 1 April 2014 will not change. See [Section 5](#).

3.14. You will also have the choice of transferring your pension out to another pension scheme.

Calculation of pension benefits

3.15. Benefits accrued after 01 April 2014 will be calculated at the rate of 1/49 of the value of your final Pension Account(s) at the date of retirement, with actuarial adjustments if necessary.

3.16. LGPS members can opt to exchange some pension to get a tax-free cash lump sum. For every £1 of pension you give up you will get £12 of tax-free lump sum (subject to HM Revenue and Customs limits). However, if you wish to commute part of your pension to a lump sum retirement grant, it is important to notify the Pensions Administration team before the date of retirement; otherwise the lump sum could be taxed.

3.17. The Pensions Administration Team can be contacted as follows:

01273 337450 or esc.pensions@sesharedservices.org.uk

Pension payments

- 3.18. LGPS benefits are administered through the Pensions Administration Team. The County Council's Pension Scheme Administrator will approach an employee in advance of their retirement regarding payment details for the pension, and lump sum retirement grant if applicable.
- 3.19. The pension is paid directly into the bank account of your choice on the last banking day of each month. Any lump sum retirement grant is paid within 2-3 weeks of retirement.

4. Additional Voluntary Contributions (AVCs)

- 4.1. In addition to their LGPS pension contributions, members of the LGPS may pay Additional Voluntary Contributions (AVCs) which can be drawn at the same time as the LGPS pension. For further information please see the pensions page of the Intranet.

5. Pre 1st April 2014 LGPS membership

- 5.1. **LGPS 2008** This Scheme ran from 1 April 2008 to 31 March 2014. The benefits payable were based on final salary and calculated at an accrual rate of 1/60 for each year of LGPS membership. The Normal Pension Age under this Scheme was 65.
- 5.2. **LGPS pre-2008** Prior to 1 April 2008, LGPS pension benefits were based on final salary and calculated at an accrual rate of 1/80 for each year of LGPS membership. A lump sum retirement grant was also payable linked to final salary and length of LGPS membership.

6. Protections for all pre 1st April 2014 LGPS membership

- 6.1. All pensions in payment or built up before April 2014 are protected. If you are unsure which of the protections set out in Sections 6-8 may apply to you, you are recommended to seek advice from a member of the HR Advisory Team.
- 6.2. If you are currently a contributing LGPS member, your pre-April 2014 pension will still be based on your final year's pay in the year you leave the Scheme and the current Normal Pension Age. This means that any future pay increases will be included in the final pay used to work out these benefits.
- 6.3. All of the membership you built up in the LGPS before 1 April 2014 will be used to calculate your benefits in the final salary scheme. Only the membership you build up from 1 April 2014 onwards is calculated under the rules of the new career average scheme.
- 6.4. Your pension built up before 1 April 2014 has a protected Normal Pension Age, which for almost all is age 65. If you retire and draw all of your pension at your protected Normal Pension Age, the pension built up in the scheme before 1 April 2014 will be paid in full.
- 6.5. If you choose to take your pension before your protected Normal Pension Age the pension you have built up in the scheme before 1 April 2014 will normally be reduced, as it's being paid earlier. If you take it later than your protected Normal Pension Age it will be increased, because it's being paid later.

- 6.6. The amount of any reduction or increase will be based on how many years earlier or later than your protected Normal Pension Age you draw the pension you have built up in the scheme to 31 March 2014.
- 6.7. When you choose to take your benefits remember that your pension is paid together, at the same time. You cannot take your pension relating to benefits built up to April 2014 at a different date to your pension built up from April 2014.

7. Rule of 85 protection

- 7.1. The rule of 85 protects some or all of your benefits from the normal early payment reduction.
- 7.2. To have rule of 85 protection you must have been a member of the LGPS on 30 September 2006.
- 7.3. The rule of 85 is satisfied if your age at the date when you draw your pension plus your Scheme membership (each in whole years) adds up to 85 years or more.
- 7.4. If you have rule of 85 protection this will continue to apply from April 2014. The only occasion where this protection does not automatically apply is if you choose to voluntarily draw your pension on or after age 55 and before age 60; see [Paragraph 7.7](#).
- 7.5. Working out how you are affected by the rule of 85 can be quite complex, but here is some information to help you work out your general position if you draw your benefits. For a more detailed understanding of your own position you should contact the Pension Fund Administrator via the HR Advisory Team.
- **If you would not satisfy the 85 year rule by the time you are 65**, then all your benefits are reduced if you choose to draw your pension before your Normal Pension Age. The reduction will be based on how many years before your Normal Pension Age (age 65 for pension built up to April 2014 and before your State Pension Age for pension built up from April 2014) you draw your benefits.
 - **If you will be age 60 or over by 31 March 2016** and choose to draw your pension before your Normal Pension Age, then provided you satisfy the 85 year rule when you start to draw your pension, the benefits you build up to 31 March 2016 will not be reduced.
 - **If you will be under age 60 by 31 March 2016** and choose to draw your pension before your protected Normal Pension Age, then, provided you satisfy the 85 year rule when you start to draw your pension, the benefits you've built up to 31 March 2008 will not be reduced. Also, if you will be aged 60 between 1 April 2016 and 31 March 2020 and meet the 85 year rule by 31 March 2020, some or all of the benefits you build up between 1 April 2008 and 31 March 2020 will not have a full reduction.

Rule of 85 and drawing your pension on or after age 55 and before age 60

- 7.6. From April 2014 you can choose to voluntarily draw your pension on or after age 55 and before age 60 without the need for your employer's permission.

- 7.7. The rule of 85 will not automatically be applied if you decide to draw your benefits under this new option, but the County Council may exercise its discretion to apply it, subject either:
- to a satisfactory business case being approved; or
 - there being compassionate grounds for waiving the actuarial reduction.
- 7.8. See [Section 9](#) for the definition of compassionate grounds.
- 7.9. If a satisfactory business case is approved, and you meet the rule of 85 at the date of drawing your benefits, the rules set out in the second and third bullet points in [Paragraph 7.5](#) will apply.

8. Underpin – protection for those nearing retirement

- 8.1. Protections are in place if you are nearing retirement to ensure that you will get a pension at least equal to that which you would have received in the Scheme had it not changed on 1 April 2014. This protection is known as the 'underpin'.
- 8.2. The underpin applies to you if you meet all of the following criteria:
- paying into the Scheme on 31 March 2012;
 - you were within 10 years of your Normal Pension Age on 1 April 2012;
 - you haven't had a disqualifying break in service of more than 5 years;
 - you've not drawn any benefits in the LGPS before Normal Pension Age;
 - and you leave with an immediate entitlement to benefits.
- 8.3. The references in this underpin section to Normal Pension Age are to your protected Normal Pension Age under the 2008 Scheme – normally age 65.
- 8.4. If you are covered by the underpin, a calculation will be performed at the date you cease to contribute to the Scheme, or at your Normal Pension Age if earlier, to check that the pension you have built up (or, if you have been in the 50/50 section at any time, the pension you would have built up had you always been in the main section of the Scheme) is at least equal to that which you would have received had the Scheme not changed on 1 April 2014. If it isn't, the difference will be added to your pension.
- 8.5. The underpin will not apply to you if you elect to opt out of the scheme before your protected Normal Pension Age and may not apply if you voluntarily draw benefits at a time when you would have required employer consent to do so under the pre 1 April 2014 scheme (normally pre age 60).
- 8.6. If you are covered by the underpin, the Pension Fund will carry out the underpin check when you leave the Scheme.

9. Retirement Options

9.1. There are a number of different retirement options available under the LGPS and County Council policies:

- Retirement at Normal Pension Age;
- Voluntary early retirement;
- Early retirement on the grounds of the efficiency of the service;
- Voluntary severance;
- Ill health retirement/termination of employment.

Note that the Council does not offer Flexible Retirement for LGPS members.

9.2. In addition redundancy compensation may also be applicable to you, depending on the circumstances of your retirement, see the [Restructure and Redundancy Policy](#) within the [Managing Change Policy](#).

Retirement at Normal Pension Age

9.3. Your Normal Pension Age is the age when you can retire and take the LGPS pension you have built up in full.

9.4. For LGPS pension built up from 1 April 2014 your Normal Pension Age is the same as your State Pension Age (but with a minimum of age 65). See [Section 2](#) for details of the State Pension Age and [Section 3](#) for details of your LGPS pension.

Voluntary early retirement

9.5. From 1 April 2014 there is increased flexibility over when you can retire and take your pension. You will be able to choose to retire and draw your pension at any time between age 55 and 75.

9.6. However, if you choose to take your pension before your Normal Pension Age it will normally be reduced, as it's being paid earlier. If you take it later than your Normal Pension Age it will be increased, because it's being paid later. 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.

9.7. If you have Rule of 85 protections, this protects some or all of your benefits from the normal early payment reduction. See [Section 7](#).

Waiving a pension reduction on compassionate grounds

9.8. If an employee aged between 55 and the Normal Pension Age wishes to retire early for personal reasons, but does not meet the Rule of 85, the County Council may consider waiving the normal actuarial reduction to pension benefits on compassionate grounds, using the following definition of compassion:

- compelling domestic reasons which will affect the ability of the individual to continue with his/her present working arrangements;
- ill health which does not meet the criteria for ill health retirement.

9.9. Such cases must be approved by the Chief Finance Officer and the Head of HROD, in consultation with the relevant departmental Chief Officer or school Headteacher.

Early retirement on the grounds of the efficiency of the service

- 9.10. A Chief Officer/Headteacher may recommend to the Chief Finance Officer and Head of HROD, that an employee's employment should be terminated on grounds of efficiency of the service, if it can be demonstrated that the service could be provided or organised more efficiently as a direct result of the retirement.
- 9.11. The employee should be in agreement with the decision and be provided with an estimate of the pension benefits and compensation applicable in the circumstances.
- 9.12. The following criteria should be considered for each business case:
- the financial benefits arising from revised working arrangements;
 - the cost of the retirement compared with the savings arising;
 - the extent to which a job has changed and the cost/time involved in training the employee to acquire new skills;
 - any cost implications arising from the decision affecting other staff and resources;
 - whether redeployment is a viable alternative option.

A member of the HR Advisory Team will assist the department with the completion of the business case.

- 9.13. This option should not be used as an alternative to managing unacceptable performance or attendance issues. Further guidance is available the [Attendance Management Procedure](#) and the [Procedure for the Management of Unacceptable Performance](#).
- 9.14. If the business case is approved and you lose your job for business efficiency reasons when aged 55 or over, your pension will be payable immediately, with no reduction for early payment, provided you have at least two years' LGPS membership.
- 9.15. In accordance with the County Council's agreed policy, almost all efficiency retirements will be granted on the basis of no additional compensation. However, in very exceptional circumstances, the departmental Chief Officer/school Headteacher has discretion to recommend to the Chief Finance Officer and Head of HROD, whether an award of compensation in the form of a lump sum severance payment is appropriate, having regard to the strength of the business case.
- 9.16. The maximum compensation payable in these very exceptional circumstances is 22.5 weeks' pay (52.5 weeks' pay less the statutory redundancy payment of up to 30 weeks' pay). The cost of these compensation payments is met by the employing department. See the [Managing Change Policy](#) which defines a week's pay, and includes a Ready Reckoner outlining the number of weeks' pay due according to your age and length of service.
- Note:** compensation awards of £30,000 plus must be approved by the Chief Executive in addition to the Chief Finance Officer and Head of HROD.

Voluntary Severance

- 9.17. Non school based employees eligible for membership of the LGPS are able to apply for voluntary severance at any time. See the [Voluntary Severance Scheme](#).

Ill health retirement/termination of employment

- 9.18. If the County Council 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 work, your employment may be terminated on ill health grounds, following a referral to the County Council's Occupational Health Service.
- 9.19. In these circumstances, provided you have at least two years' LGPS membership, you will be able to access your pension benefits on termination of employment.
- 9.20. For further details, please refer to the [Ill Health Retirement/Termination Policy](#).

Re-employment and abatement

- 9.21. Abatement was removed from the 2013 regulations with effect from 1 April 2014 and therefore will not apply to any benefits accrued in the Local Government Pension Scheme after 1st April 2014.
- 9.22. Abatement does still apply to any benefits an employee has accrued in the Local Government Pension Scheme before 1st April 2014, if they are re-employed. Please see below:
- 9.22.1. Pension's abatement is a formula that is applied when an employee with a Local Government Pension Scheme pension is re-employed in local government, or with a related employer. See [Withholding redundancy payments](#).
- 9.22.2. The level of earnings in the new job, added to the annual pension, must not exceed the salary on which the Local Government Pension was calculated.
- 9.22.3. If you receive your LGPS pension and are later re-employed by ESCC, local government or a related employer, or if you remain in employment with one of the above, your LGPS pension payment may be reduced or abated completely.
- 9.22.4. For advice or further information please contact the County Council's Pensions Team, (tel. 01273 337450). If you are re-employed, or if you later become re-employed with a local government employer, you are required to inform the Pensions Team in writing so that they can determine whether your pension payments are affected.
- 9.22.5. Abatement may also apply to Teachers Pensions and further information can be found on www.teacherspensions.co.uk and from the payroll provider.
- 9.22.6. Employees on NHS terms and conditions should consult www.nhsbsa.nhs.uk/pensions

Appendix 1 – Summary of Pension Benefits & Compensation Options

Retirement	LGPS Criteria	LGPS Benefits	Process
<p>1. Retirement at Normal Pension Age</p>	<p>Normal Pension Age is the same as the State Pension Age, subject to a minimum age of 65. Pension benefits must be accessed no later than age 75.</p>	<p>Annual pension with an actuarial increase applied if retirement is later than Normal Pension Age. Option to commute part of the annual pension to a lump sum retirement grant.</p>	<p>Employee chooses when to retire and serves notice of resignation in accordance with the terms of his/her contract of employment. Prior informal discussions with the employee's line manager about retirement plans are recommended to facilitate succession planning and to ensure that the employee has all relevant information for financial planning.</p>
<p>2. Voluntary Early Retirement</p>	<p>Any employee may retire from age 55 without the need to obtain their employer's consent. Pension benefits will normally be reduced, because they have been paid early, unless protections apply. See Sections 6-8 of the policy above:</p> <ul style="list-style-type: none"> ▪ protections for all members pre 1st April 2014 ▪ Rule of 85 protection – pre 1st October 2006 members only ▪ Underpin – pre 1st April 2012 members within 10 years of Normal Pension Age <p>The pension reduction may be waived on compassionate grounds – see Section 9 of the above policy.</p>	<p>Annual pension with an actuarial reduction unless protections apply. Option to commute part of the pension to a lump sum retirement grant.</p>	<p>Employee needs to send letter of resignation via line manager.</p>

Retirement	LGPS Criteria	LGPS Benefits	Process
3. Efficiency of the Service	<p>Efficiency improvements must result from the retirement.</p> <p>Individual circumstances will be taken into account, for example, poor health or difficulty adapting to change</p> <p>This should not be used as an alternative to managing poor performance or attendance issues.</p> <p>Presumption against enhancement of benefits/compensation, but some discretion possible depending on strength of business case.</p>	<p>The employee is eligible to access his/her accrued pension benefits from age 55, provided he/she has at least two years' membership in the LGPS.</p> <p>In accordance with the County Council's agreed policy, almost all efficiency retirements will be granted on the basis of no additional compensation.</p> <p>However, in <i>very</i> exceptional circumstances, a discretionary lump sum compensation payment may be made not exceeding a maximum of 22.5 weeks' pay.</p>	<p>The line manager should contact the HR Advisory Team, who will assist them to make a business case to the Chief Officer/Head Teacher and Chief Finance Officer and Head of HROD, Business Services.</p>
4. Voluntary Severance Scheme	Please refer to the Voluntary Severance Scheme		
5. Ill Health Retirement / Termination	See Ill Health Retirement/Termination Policy		