

**The Local Government Pension Scheme
(England and Wales)
Late Retirement**

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1 Introduction

- 1.1 Under Regulation 17(2) of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 ('the Benefits Regulations') (SI 2007/1166), the Government Actuary is required to issue guidance to determine the increase applicable to benefits when a member remains in employment or joins the LGPS after their 65th birthday.
- 1.2 Under Regulation 29(5) of the Benefits Regulations, the Government Actuary is required to issue guidance to determine the increase applicable to accrued benefits when a member who has left service without immediate entitlement to benefits under any of regulations 16 to 20 chooses not to receive payment of those benefits immediately on attaining normal retirement age.
- 1.3 The Department for Communities and Local Government (DCLG) has confirmed that similar increases should also be applied in respect of members who leave service with immediate entitlement to benefits under regulation 16 or 16A but who choose not to receive payment immediately.
- 1.4 Regulation 14(3) requires the Government Actuary to issue guidance on the increase to be applied to the additional pension where it is taken after normal retirement age.
- 1.5 Regulation 18(3A) requires guidance to be issued by the Secretary of State regarding the benefits payable following flexible retirement if they are taken after normal retirement age. DCLG have confirmed that similar increases should be applied on Flexible Retirement after age 65.
- 1.6 A member may also have a transfer credit that was awarded under protected regulation 66(5) of the Local Government Pension Scheme Regulations 1997 ("the 1997 Regulations") (SI 1997/1612) protected by virtue of 66(8) of the 1997 Regulations. This guidance also applies for any increases applied in respect of those transfer credits.
- 1.7 The purpose of the guidance note is to provide guidance referred to in Regulations 14(3), 17(2), 18(3A) and 29(5) of the Benefits Regulations and Regulation 66(5) of the 1997 Regulations. This note has been prepared by the Government Actuary's Department (GAD) for the DCLG for onward transmission to administering authorities in order to provide the guidance required.

Implementation and Review

- 1.8 The factors and guidance contained in this note should be followed with immediate effect.
- 1.9 The factors should be reviewed periodically, depending on external circumstances, for example when changes in the actuarial assumptions adopted for other scheme factors take place, or following each triennial cycle of future valuations of the LGPS.
- 1.10 The guidance replaces the previous guidance dated 28 April 2008.

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Limitations

- 1.11 This note should not be used for any purpose other than to determine benefits on late retirement.
- 1.12 This note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- 1.13 This note only covers the principles around the calculation of the benefits on late retirement. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 1.14 Administrators should satisfy themselves that late retirement complies with all legislative requirements including, but not limited to, tax and contracting-out requirements.

2 The Increase in benefits

- 2.1 Members remaining in active service after their 65th birthday continue to accrue pension benefits as they had before their 65th birthday. When they choose to retire, the initial level of pension and retirement grant (if payable) is increased.
- 2.2 Members postponing retirement until after their 65th birthday, but not remaining in service, do not accrue any further benefits but those benefits already accrued are increased.
- 2.3 The pension should be uplifted by 0.014% simple – and the retirement grant (if payable) uplifted by 0.007% simple – for each day after the member's 65th birthday but before the member's actual retirement date.
- 2.4 Subject to paragraph 2.9 below, the increase under this guidance should be applied to the total pension, including the Guaranteed Minimum Pension ("GMP") element of the pension. The increases should be applied to the benefits after Pensions' Increases have been added if there was a period of deferment.
- 2.5 Once in payment, pensions should be increased in accordance with the Pensions (Increase) Act 1971, as required by Regulation 38 of the Benefits Regulations from the day of actual retirement not the member's 65th birthday.
- 2.6 Regulation 17(4) of the Benefits Regulations requires that the pension must come into payment no later than the day before the member's 75th birthday. Periods of service after age 75 do not count when calculating the increase applicable.
- 2.7 Section 13 of the Pension Schemes Act 1993 requires member consent if GMPs are deferred by more than 5 years after GMP pension age (which is age 60 for females and age 65 for males). Where a member elects to draw the GMP element of their total benefits, only the excess pension (over the GMP) should be increased at retirement in accordance with paragraph 2.3. This also applies where a deferred pension has been postponed until after age 65 but where the GMPs have been brought into payment earlier (at or after GMP pension age).
- 2.8 The regulations do not stipulate the method to be used in calculating the late retirement increases. They have been provided in a simple format to ease administration and should not be regarded as representing strict actuarial neutrality for all profiles of late retirement. This approach has been agreed with DCLG.

3 Example

Member retiring from active service after age 65

Consider a male member, whose 65th birthday fell on 30 May 2012.

The member decided to remain as an active member and retire on 30 September 2012, with his last day of service 29 September 2012. The period after his 65th birthday to retirement is 0 years 123 days

Member's benefits at 30/09/2012 before late retirement additions:

Pension	£18,000.00 pa
Retirement Grant	£50,000.00

The late retirement increases should be calculated as:

Pension	$18,000.00 \times 123 \times 0.00014$	= £309.96 pa
Retirement grant	$50,000.00 \times 123 \times 0.00007$	= £430.50

The prospective benefits payable from 1 October 2012 are:

Member's pension:	$18,000.00 + 309.96$	= £18,309.96 pa
Retirement grant:	$50,000.00 + 430.50$	= £50,430.50

However, the member could decide to commute part of his pension of £18,309.96 into an additional lump sum in accordance with Regulation 21 of the Benefits Regulations.

Pensions Increases should be awarded each April based on a P.I. beginning date of 30 September 2012.

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Member retiring from deferment after age 65

Consider a male member, whose 65th birthday fell on 30 May 2012.

The member's last day of service was 29 May 2007 but he retired on 30 September 2012.
His details are as follows:

Period after 65th birthday to retirement: 0 years 123 days

Member's benefits at 30/09/2012 before late retirement additions but including pension increases to April 2012:

Pension	£20,000.00 pa
Retirement Grant	£60,000.00

The late retirement increases should be calculated as:

Pension	$£20,000.00 \times 123 \times 0.00014$	= £344.40 pa
Retirement grant	$£60,000.00 \times 123 \times 0.00007$	= £516.60

The prospective benefits payable from 1 October 2012 are:

Member's pension:	$£20,000.00 + £344.40$	= £20,344.40 pa
Retirement grant:	$£60,000.00 + £516.60$	= £60,516.60

However, the member could decide to commute part of his pension of £20,344.40 into an additional lump sum in accordance with Regulation 21 of the Benefits Regulations.

The pension should receive a full year's Pension Increase in April 2013 and annually thereafter.



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