

Briefing note on voluntary retirement from age 55

Background

The Local Government Pension Scheme (Scotland) regulations 2018 saw the deletion of previous regulation 29(13). This prior regulation required that where a member made a request to retire between the ages of 55 and 60, they must first obtain the consent of:

- their scheme employer
- their former scheme employer
- their Administering Authority where their former employer has ceased to be a scheme employer

As a result, members of the scheme can now voluntarily retire when they attain the age of 55.

Actuarial Reduction

If a member accesses their benefits:

- before 60 or
- after 60, but before normal pension age or being protected by the rule of 85

their benefits are reduced for being paid for longer.

Employer Discretions

Employers have 2 discretions in this area:

- waiving the actuarial reduction
- switching on the rule of 85 protection

These discretions should be exercised in line with the employer's policy.

The effect of exercising each of them is described below.

Waiving the Actuarial Reduction

An employer can agree to waive any actuarial reduction in whole or in part. The member would then receive unreduced benefits and the employer would bear the cost of the benefits being paid early in a strain on the fund charge.

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Switching on Rule of 85 Protections

The rule of 85 gives protection to members who joined the scheme before 1st December 2006 and have membership which, when added to their age, equals or exceeds 85 in whole years. Members born before 1st April 1960 have full protection; members born after that date have partial protection.

The rule of 85 protections apply when benefits are accessed from ***age 60 onwards***.

The default position for a member who retires between 55 and 60 is, therefore, that the rule of 85 is “switched off”. The result of this default position is that all of the member’s benefits are reduced. No strain on the fund is payable by the employer as the employee bears the cost of early retirement.

An employer may, however, agree to switch on the rule of 85. The result of this is that only the unprotected element of the member’s benefits would be reduced. No reduction would be applied to the element which is protected by the rule of 85. The employer would bear the cost of that element of the benefits being paid early. This may result in a strain on the fund charge.

Position for deferred members

Members who become deferred after 1st June 2018 will be entitled to voluntarily access benefits upon attaining age 55. Actuarial reductions and employer discretions will apply as described above.

Members who became deferred under previous regulations will see no change to the date at which they can voluntarily access their deferred benefit. This remains ***fixed at age 60***.

Action required

- Employers should review their internal processes, documents and discretions policies to reflect the new option for members to retire voluntarily from age 55.
- Employers who want to explore individual cases including any rule of 85 protections can obtain figures using SPFO Online Employer Services, or consult SPFO directly.
- Members can obtain figures based on the default ‘rule of 85 off’ basis by using the SPFO Online member self-service benefit calculator.
- Members wishing to verify their Rule of 85 position can do so at:
<https://www.scotlgpsmember.org/your-pension/planning/taking-your-pension/#the-85-year-rule>

This briefing is based on the following regulations:

The Local Government Pension Scheme (Scotland) Regulations 2018

The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014

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