

# Retirements With Early Retirement Costs (ERCs)



## What you need to consider before making a decision on a member's early retirement!

- Has the member attained age **55**?
- **No** – not eligible to receive pension benefits (unless ill-health retirement)
- Is the member leaving for one of the following reasons?
  - Redundancy (voluntary or compulsory)
  - Business efficiency
  - Flexible retirement
  - Voluntarily with employer discretion to waive any reduction

If the answer is **yes**, there will be in most circumstances, an ERC (early retirement cost) to your organisation which is payable to the Fund immediately.

To receive a pension the member must meet the two years 'vesting period'\* or is in receipt of an LGPS pension or has a deferred LGPS pension record.

### What does this cost represent?

The cost of bringing a member's benefits into payment earlier than their NPA (normal pension age), without a reduction to their benefits, creates a strain on the Fund. The ERC that is calculated represents the cost to cover the strain for earlier payment.

### How is the ERC calculated?

The ERC is calculated based on a member's:

- age, gender and marital status;
- scheme membership;
- pay;
- length of time to their NPA; and
- factors produced by the Fund's actuary

### What you should do.

Before you process any redundancy/business efficiency retirements, grant flexible retirements, or decide to waive any actuarial reductions for members, you should run an estimate through the Employer Web Portal to establish any potential strain costs to the employer.

Where you can, it may also be prudent to check with the member to make sure that the estimate you have run considers all the member's appropriate pension records, as it could affect the ERCs if not included.

**NB:** If a member retires voluntarily, and you **do not** choose to waive any reductions, there will be no ERC to your organisation.



\*Vesting period meaning: [www.lgpsmember.org/more/vesting.php](http://www.lgpsmember.org/more/vesting.php)