

## Eligibility

A local authority's scheme of members allowance must specify which elected members (if any) have a right to participate in the Local Government Pension Scheme – the LGPS.

Membership of the scheme will not be automatic and an eligible elected member, who wishes to participate in the LGPS, must make a positive election to join. Membership of the LGPS is not available to parish or town councillors.

Similarly members who sit on other bodies, such as National Park Authorities, will not be able to participate in the LGPS in respect of those appointments.

## Transferring Rights into the Scheme

It is not normally possible for an elected member, who participates in the LGPS, to transfer pension rights from a former employer or personal pension into the Scheme. There is one exception to this, which is where the elected member has previously contributed to the LGPS fund in question and has deferred rights in that fund. In these circumstances the elected member may elect to aggregate their service for pension purposes i.e. an elected member contributing to the Northumberland Pension Fund may only aggregate previous pension rights which accrued during earlier membership of the Northumberland Fund as a Councillor. .

## Contributions

Elected members who participate in the LGPS will pay a 6% contribution to the Scheme. The local authority's scheme of members allowances must specify which allowances attract pension contribution e.g. contributions can be payable on the basic allowance, any special responsibility allowance or both of these allowances.

The Council is required to pay a rate of contribution, expressed as a percentage of employee's or elected member's pensionable earnings or allowances. The Council's contribution rate fluctuates and is designed to maintain the solvency of the Pension Fund. The Council's contribution rate is reviewed every 3 years by the Pension Fund's Actuary.

## Period of Membership

This is the calendar length of the period during which the elected member has paid scheme contributions to the LGPS, including, where appropriate, earlier rights in the same fund which have accrued from contributions as an elected member and have been aggregated with current membership.



## Average Pensionable Pay

The LGPS, as it applies to elected members, is a "career average" pension arrangement. This means that the pension benefits are calculated by reference to a revalued average of a person's pensionable earnings assessed over the whole of their period of membership of the LGPS, as an elected member. The earnings for each year the Member participates in the LGPS are assessed as at the 31st March. The earnings, when being assessed for pension purposes, are increased by rises in retail prices between the end of the year in question and the month the person ceases to be a pensionable elected member. Pension benefits are calculated by reference to the average of such revalued earnings.

## Pensions

The Scheme provides for an annual pension of 1/80th of the elected members revalued career average pensionable pay, for each year of their Scheme membership. As stated previously, a council's scheme of member's allowances must specify which allowances attract pension contributions.

## Lump Sum

In addition to the pension, a retiring elected member will also receive a lump sum payment equal to 3 times their annual pension.

## Example

An elected member has been a member of the LGPS for 5 years. He is retiring at age 70. His pensionable earnings and the revaluation factors are as follows:-

Year 1 earnings £9400 x revaluation factor 1.12 = £10528  
 Year 2 earnings £9600 x revaluation factor 1.08 = £10368  
 Year 3 earnings £9900 x revaluation factor 1.05 = £10395  
 Year 4 earnings £10400 x revaluation factor 1.02 = £10608  
 Year 5 earnings £11000 x revaluation factor 1.00 = £11000

£52899 :- 5 years = £10579

The revalued “career average pensionable earnings” in this case are therefore £10579 and the pension entitlement would be calculated as follows:-

Pension = £10579 :- 80 x 5 years scheme membership = £661.19 a year.

Lump Sum = £661.19 x 3 = £1983.57 a one off tax free payment.

## An option to vary the mix of benefits

At retirement, you may give up lump sum rights in favour of a larger pension.

## Qualifying Conditions

With the exception of an elected member retiring at age 70, a Scheme member must have completed a minimum period of 3 months Scheme membership in order to qualify for the award of retirement benefits. The payment of benefits being subject to the member meeting the necessary Age or Ill-Health retirement criteria.

## Age Retirement

The normal age of retirement for elected members is age 70. There is no minimum period of membership required to qualify for a benefit at this age. Elected members who continue to serve after age 70 are not allowed to remain as member of the LGPS. Pension benefits are not however payable until actual retirement takes place or age 75 which ever is the earlier. Where benefits are deferred in this way actuarial increases will be awarded to the benefits on retirement to compensate the member for the delay in payment.

## Retirement From Age 65

You can voluntarily retire from age 65 onwards if you have completed 3 months or more of LGPS membership. If however the total of your age and scheme membership (in completed years) amounts to less than 85, your benefits will be subject to an actuarial reduction.

**Note-** only completed years of age and service are used for the purposes of determining whether or not a person meets the “rule of 85”, eg a person aged 65 with 20 years of membership would pass the “85” test in that 65 + 20 = 85.

## Voluntary retirement from age 50 onwards with the Council’s consent

If the Authority agree, you may, subject to having been a Scheme member for a minimum of 3 months, retire from age 50 onwards and immediately receive payment of your retirement benefits. Again if the sum of your completed years of age and Scheme membership amount to less than “85” your pension and lump sum will be subject to an actuarial reduction.

## Ill-Health Retirement

If you have to retire before age 70 because of ill-health and you are certified as being permanently incapable of performing the duties of the office of a Councillor, you will, subject to having completed 3 or more months of Scheme membership, become entitled to the immediate payment of your retirement benefits. There is no age restriction to the payment of this benefit and where you have 5 or more years of Scheme membership enhancement of service will be awarded (unless you have already completed 40 years of pensionable service). Any medical certification will be made an independant occupational health physician appointed by the council, not your own doctor.

## Pensions Increase

All LGPS benefits are subject to the public service “index linking” arrangements. Pensioners must normally have attained age 55 to receive such payments. Ill Health, spouses and childrens pensions however are subject to the appropriate increases, irrespective of the age of the beneficiary.

## Refunds of Contributions

If you stop serving as a Councillor before retirement age, have not completed 3 months Scheme membership and you do not otherwise qualify for deferred pension benefits, you may be entitled to claim a refund of your own Scheme contributions less any statutory deductions relating to tax and National Insurance.

## Deferred Benefits

If you stop serving as a Councillor before retirement age and have completed 3 months or more of Scheme membership, you may leave your rights deferred in the pension fund for payment at retirement age (normally no earlier than age 65). Such benefits are subject to the public service “index linking” arrangements during the period of deferment. Deferred benefits can be paid early on the grounds of ill-health, where, subsequent to leaving employment and prior to retirement age, the person becomes incapable of performing the duties of the office of councillor, by reason of permanent ill-health, as certified by the Councils medical adviser. Additionally, from age 50 onwards, the Council has discretion to allow the early payment of deferred benefits under the “rule of 85”.

## Compassionate Payments

Where any early retirement reductions would apply to benefits the Council may, at their sole discretion, resolve that such reductions should not apply because there are compassionate grounds. Note, such reductions apply to voluntary retirements, prior to age 70, when the sum of the persons completed years of age and pensionable service do not amount to 85 or more in total.

## Transferring Pension Rights

Irrespective of your length of Scheme membership, should you stop serving as a Councillor before retirement age and do not qualify for the immediate payment of your pension benefits, you may be entitled to transfer the accrued value of your pension rights to a new employer’s occupational pension scheme or an insurance based pension arrangement. Such cash equivalent transfer values are calculated in a manner prescribed by the Government Actuary’s Department. Estimated transfer values are available on request from the Pension Section (see address at the end of this leaflet). It is not however permissible to transfer such rights to another LGPS fund.

## Death in Service

From your first day of Scheme membership there is provision for a lump sum payment should you die in service (this payment is more or less 2 times your “career average pensionable earnings”). An “expression of wish” form is available which allows you to nominate who you would like to receive this benefit in the event of your death.

## Spouses Pensions - Death in Service

If you die in service, a short term spouses pension is payable for the first 3 months at a rate equivalent to your career average pensionable pay. The 3 month period is extended to 6 months if there are dependant children. Subject to you having completed 3 or more months of pension scheme membership, a long term spouses pension is payable, after the short term benefit, equal to one half of the notional ill-health pension which would have been paid had you retired on the date of death.

## Death on Pension

If you die on pension, a short term spouses pension is payable for 3 months, normally equal to your rate of pension (6 months if there are dependant children). Thereafter a long term pension is payable, which is usually equal to half of your pension. Where you have been on pension for less than 5 years a lump sum death benefit may also be payable equal to 5 times your annual rate of pension, less the total pension actually paid during retirement.

## Childrens’ Pensions

In certain circumstances pensions are payable to the surviving dependant children of a deceased Scheme member, or pensioner. For Scheme purposes, a child is usually a person who has not attained age 17, or who has continuously remained in full-time education. For details of these benefits and the qualifying conditions, please consult the main scheme guide.

## Divorce

If you become a divorcee the court may award part of your pension entitlement to your former spouse.

## Additional Voluntary Contributions – AVC’s

It is normally possible to pay AVC’s to improve benefits, including those payable on death. This Authority has an AVC arrangement with the Prudential.

## Tax Approval

The Scheme is a tax approved arrangement. Therefore if you are a tax payer, Scheme contributions attract full tax relief.

## The State Second Pension – S2P

As a member of the Local Government Pension Scheme you will be contracted-out of the State Second Pension (known as S2P). This means that you pay a lower rate of National Insurance contributions and will not accrue the State Second Pension in respect of your contracted out service.

The State Second Pension should not be confused with the basic State Old Age Pension. Members of the LGPS still qualify for the basic State Pension (subject to the person having made sufficient National Insurance Contributions). However the LGPS is a contracted out occupational pension scheme and its members pay the lower contracted out rate of National Insurance and are not therefore accruing any rights in S2P during their membership of the LGPS.

## Internal Dispute Procedures

If you are unhappy with any aspect of your pension scheme membership, you may, within 6 months of being notified of any decision, refer the matter to the person specified by your council to deal with grievance. Details of the Dispute Procedures are available from the Pensions Section (see address at the end of this leaflet). If you do have any problems however please, in the first instance, discuss the matter with the Pensions Section of your Council before referring the matter to the specified person.

## The Occupational Pensions Advisory Service (OPAS)

OPAS offer a free advisory service to all pension scheme members. They have local advisors who can help to explain and obtain more information about your pension for you. You can normally contact an OPAS advisor through your local Citizens Advice Bureau or by contacting them directly at 11 Belgrave Road, London SW1V 1RB, telephone 0845 601 2923

## The Pensions Ombudsman

The Pensions Ombudsman can investigate complaints of maladministration or disputes of fact or law about decisions that have been made in respect of your pension. If you would like the Pensions Ombudsman to consider a complaint you have, you should go through the internal dispute procedures first and discuss the matter with OPAS before referring the matter to the Ombudsman. The Pensions Ombudsman's address is 11 Belgrave Road, London SW1V 1RB, telephone 020 7834 9144

## Registrar of Pension Schemes

Scheme information has been presented to the Registrar.

## The Occupational Pensions Regulatory Authority

This body may intervene where scheme administrators etc are in breach of their statutory duty. Their address is, Invicta House, Trafalgar Place, Trafalgar Street, Brighton, East Sussex, BN1 4DW, telephone (01273) 627600.

## The Local Government Pension Scheme Regulations 1997 (as amended)

The Scheme is governed by these regulations and nothing in this leaflet can override the provisions of the Regulations. In all cases benefit must be determined by reference to the statutory provisions. This leaflet cannot impart any entitlement upon an individual.

## Special Membership Conditions

Elected Members participate in the LGPS on special terms, which differ considerably from the LGPS package available to employees. A more detailed scheme guide, setting out the provisions of the LGPS as they apply to elected members, is available from the Pensions Section.

## For Further Information or Assistance

This leaflet is only designed to give a brief outline of the Local Government Pension Scheme. It is not therefore intended to be a complete and authoritative statement of law. Please contact, Pensions Section, Finance Department, County Hall, Morpeth, Northumberland NE61 2EF should you require any further information or assistance telephone 01670 533000.