

# Local Government Pension Scheme

## LGPS

### Industrial Action 2011

**Question.** What effect will a period of strike action have upon my pension?

**Answer.** The days lost due to industrial action will not count toward your pensionable service in any way. If you are in your final year of scheme membership the day(s) lost could affect your final year's pensionable pay (the pay figure used to calculate your pension). Your pension will normally be based on the earnings relating to your last year of employment upon which you have paid pension contributions (see later question for detail).

**Question.** Can I purchase the days lost due to strike action?

**Answer.** Yes. The cost is 16% of the pensionable pay lost due to the strike.

**Question.** Will the day or days of strike action break my pensionable service?

**Answer.** Breaks in service now have no meaning as far as the LGPS is concerned. If you take one or more days of strike action and choose not to purchase the lost days we would simply ignore the days in question when calculating your pension. Let us assume a person could complete 35 years pensionable service by age 65. At 65 if they had not been on strike or they had purchased the strike days they would be entitled to pension benefits based upon 35 years service. If they had taken two days of strike action and had decided not to purchase those days, they would be entitled to have their benefits based upon 34 years 363 days. That is they would have lost pension benefits based on two days service.

**Question.** How long do I have to decide whether or not to purchase the lost days?

**Answer.** The regulations governing the LGPS require that you make an election to purchase the period within 30 days of your return to work from strike. The employer has discretion to extend this 30 day period.

**Question.** Do the contributions to purchase strike days attract tax relief?

**Answer.** If you are a tax payer yes.

**Question.** Why is the cost 16% of pay?

**Answer.** This provision has been contained within the LGPS for many years. At the time it was introduced 16% represented the national average combined employer and employee cost of providing the LGPS. In short you are also notionally meeting the employer's contribution as well as your own. Employer contributions to the LGPS have however increased significantly since the cost of buying strike days was set at 16% (currently Northumberland County Council is paying about 24% as their employer contribution rate, if you

include the payments being made in respect of the pension fund deficit).

**Question.** If I do not purchase the day(s) lost but then find that I have to retire and the day(s) fall within my last year of service how will that effect my final years pensionable pay?

**Answer.** If you do not purchase the lost day(s) the day(s) would be ignored in the assessment of your final years pay. However your pension would be based upon the pensionable pay that you have actually received in your final year, grossed up to a full year. For example, if we assume that a person has been on strike for 2 days and their actual earnings (i.e. the actual pay received after the recovery of the two days pay lost because of the strike) is £21,000. In this case the person's pension would be based upon earnings of £21,000  $\div$  363 days  $\times$  365 days = £21,115.70. Whilst this method of calculating pay affords some protection with regard to lost earnings, your final years pay could be lower than it would have been if you had not been on strike. Additionally this person would not be allowed to count the 2 days service lost due to strike in the calculation of their pension, because they had not purchased them.

**Question.** If I purchase the lost day(s) would my pensionable pay be treated as if I had not been on strike?

**Answer.** Yes. If you retire having purchased the lost day(s) and the day(s) form part of your last year we would treat you as if you had been working normally for the whole of your final year i.e. a full days pensionable pay would be assumed for each strike day purchased.

**Question.** I am paying additional contribution to purchase an additional period of scheme membership (or pension), how will the strike affect my purchase contract?

**Answer.** You are required to pay the additional contributions you would have normally paid on the day(s) of strike action. The Pensions Section will arrange to make these deductions from your pay in due course.

**Question.** Is it worth buying the day(s) lost?

**Answer.** This is a question you need to answer for yourself, taking into account your own circumstances. LGPS benefits are based upon years and days of pensionable service, the loss of one day of service will have only a small impact upon a person's pension entitlement.

The following example shows the value and cost of one days strike service for a person earning £20,000 a year (for the purposes of this example we have assumed that one days strike will be recovered on the basis of 1/5<sup>th</sup> of a weeks pay) :-

**Example.**

**Cost**      $\frac{\text{£}20,000 \times 1}{52.1429} \times 16\% = \text{£}12.27$      cost of one days strike.

**Pension**  $\frac{\text{£}20,000}{60} \times \frac{1}{365} = \text{£}0.91$      annual value of 1 days  
service – payable for life.

**Survivors pension**  $\frac{\text{£}20,000}{60} \times \frac{1}{365} = \text{£}0.34$      annual value of 1 days

It must however be remembered that the loss of pension would be a loss of annual income i.e. given average life expectancy the pension may well be payable for a period of 20 years or more. The pension would also be subject to CPI "index linking".

**Question.** Will taking strike action break my continuous employment for redundancy payment purposes?

**Answer.** The strike days will **not** break your continuous employment, but the strike days will **not** count in the calculation of any redundancy payment. The way this works, in effect is to delay your continuous start date. For example let's assume that you actually started working for the Council on the 31<sup>st</sup> March 1992; if you take 2 days strike action this would result in your start date now being taken as 2<sup>nd</sup> April 1992. As redundancy payments are calculated by reference to completed years, normally the loss of 2 days would make very little difference, however if this person were to be made redundant on the 31<sup>st</sup> March 2012, if he/she had not been on strike he/she would have complete 20 years service, but because of the strike days he/she has now only completed 19 years 364 days and as only completed years count for redundancy payment purposes his/her redundancy payment would now be based upon 19 completed years.

**Question.** Will buying the strike days for pension purposes also mean that they will count for redundancy payment purposes?

**Answer. NO.** Whilst the purchased days will count in the calculation of your pension, the two days strike would still delay your start date for redundancy payment purposes and therefore will **not** count.

If you wish you purchase the strike days for pension purposes please complete and return the attached form.

For further information contact the Pension Section, Northumberland County Council, County Hall, Morpeth NE61 2EF

01670 533377 or

Email [pensions@northumberland.gov.uk](mailto:pensions@northumberland.gov.uk)

# **The Local Government Pension Scheme – LGPS**

## **Option to Purchase Days Lost Due To Industrial Action - 2011**

**Name..... Date of Birth.....**

**Employer..... Department.....**

**National Insurance Number .....**

**Assignment Number or payroll number .....**

**I hereby elect to purchase..... day(s) (please state number) of pension scheme membership lost due to industrial action. I understand that the cost will be 16% of the pensionable pay I would have earned, but for the strike action and that the contributions will be deducted from my pay.**

**Signed..... Date.....**

**When completed please return to:- The Pensions Section, Finance Department, Northumberland County Council, County Hall, Morpeth, NE61 2EF.**