

ITEM NO: 16

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| Report To: | Pension Fund Management Panel & Advisory Panel |
| Date: | 4 March 2011 |
| Reporting Officer: | Peter Morris, Executive Director of Pensions |
| Subject : | LGPS COUNCILLORS PENSIONS |
| Report Summary: | A brief outline of the rules surrounding membership of the LGPS for councillors and the benefits provided. |
| Recommendation: | The Panel are recommended to note the report. |
| Financial Implications: (Authorised by the Borough Treasurer) | There are no financial implications arising from this report. |
| Legal Implications: (Authorised by the Solicitor to the Fund) | The report sets out the key features of the legal framework of the scheme. |
| Risk Management: | There are no specific risks relating to the information provided in this report. |
| ACCESS TO INFORMATION: | NON-CONFIDENTIAL This report does not contain information which warrants its consideration in the absence of the Press or members of the public. |
| Background Papers: | The LGPS Regulations 1997. These can be found at http://timeline.lge.gov.uk/WorkLGPS.htm For further information please contact Emma Heath, ECT Manager, Pensions Office, Manchester Rd, Droylsden, M43 6SF, Tel 0161 301 7242, email emma.heath@gmpf.org.uk |

1. INTRODUCTION

- 1.1 On 1 May 2003 the LGPS Regulations 1997 were amended to allow eligible elected members to join the LGPS. The 2008 LGPS regulations did not replace the 1997 scheme for councillors and so the 1997 regulations (as amended) are those that still apply.
- 1.2 The key features of the Councillors Scheme are briefly as follows:

2. JOINING

- 2.1 The LGPS is available to all councillors and elected mayors of an English county council, district council or London borough council or of a Welsh county council or county borough council who are offered membership of the Scheme under their authority's scheme of allowances and who are under age 75.
- 2.2 An eligible councillor who wishes to join must elect to do so.
- 2.3 An eligible councillor who elects to join normally becomes a member on the first day of the next pay period following the date of the election. However, an eligible councillor who opts in before he or she takes up office becomes a member on the day he or she takes up office.

3. CONTRIBUTIONS

- 3.3 The standard contribution rate for councillor members is 6% of pay.
- 3.4 The employer contribution rate for a councillor member is the same as for his or her employer's other LGPS members. That is, it is the rate of contribution specified by the Fund actuary for that employer in the current rates and adjustments certificate.
- 3.5 The only method of benefit improvement available to councillor members through the LGPS is payment of additional voluntary contributions (AVCs). Councillor members cannot buy or be granted extra membership.
- 3.6 Councillor members cannot transfer benefits into the LGPS from other pension schemes or arrangements, other than transfers from FSAVC schemes to the in-house AVC arrangement.

4. RIGHT TO RETIREMENT BENEFITS

- 4.1 Retirement benefits consist of an annual retirement pension and a single lump sum retirement grant and the right to them normally arises when the member's employment (that is, period of office as a councillor) ends.
- 4.2 To become entitled to retirement benefits on leaving local government employment, he or she must have at least 3 months membership as a councillor or be at least 65 years old when he or she leaves.
- 4.3 To become entitled to the immediate payment of retirement benefits when he or she leaves employment, the councillor must be age 65 or older, be leaving office on ill health grounds, have elected to receive their benefits if they are between age 60 and 65, or have been given their employers consent for benefits to be paid if they are between age 50 and 60.

- 4.4 A councillor member who remains in office beyond age 65 and carries on paying into the Scheme will continue to build up membership. However benefits must be paid before a member reaches their 75th birthday even if the member has not retired.
- 4.5 Retirement benefits a councillor member is entitled to but which are not yet payable are deferred retirement benefits. A councillor member who becomes entitled to deferred retirement benefits on leaving normally also has other choices available. These choices may include entitlement to a refund of contributions, transferring benefits to a successive councillor employment and electing for payment of deferred benefits.

5. CALCULATION OF BENEFITS

- 5.1 Councillor member benefits are based on career average pay.
- 5.2 The basic annual retirement pension is 1/80th of career average pay multiplied by the member's total councillor membership in that employment.
- 5.3 The basic retirement grant is 3/80ths of his or her career average pay multiplied by the same total membership period used to work out the retirement pension.
- 5.4 Councillor members can elect for a bigger lump sum by giving up some pension or taking cash from AVCs. HMRC limits do apply and these will determine the amount of tax free lump sum that can be taken.
- 5.5 Pensions are increased each year in line with inflation.
- 5.6 If a councillor meets the criteria for retirement on the grounds of ill health, the membership used to calculate benefits may be increased.
- 5.7 If benefits are being paid early they may be reduced to reflect early payment.
- 5.8 If benefits are subject to a Pension Sharing Order issued following divorce or the annulment of a marriage benefits will be reduced in accordance with the Order.

6. BENEFITS PAYABLE ON DEATH

- 6.1 If a councillor dies in service (i.e. whilst they are still contributing to the Scheme), a death grant equal to twice his or her career average pay will be payable.
- 6.2 The death grant for a deferred councillor member who is under 75 years old is three times his or her deferred retirement pension.
- 6.3 The death grant for a councillor member who is a pensioner and under 75 years old is five times his retirement pension less the total amount of pension (excluding pensions increase) actually paid to him or her.
- 6.4 In addition to any death grant there may also be pensions payable to a spouse, civil partner or children if they eligible to receive them.

7. RECOMMENDATION

- 7.1 The Panel & Advisory Panel are recommended to note the report.