

**LOCAL GOVERNMENT PENSION SCHEME****1 INTRODUCTION**

- 1.1 This scheme came into effect on 1 April 2008.
- 1.2 Membership of the Local Government Pension Scheme (LGPS) is automatic for all eligible employees up to age 75 unless they have specifically opted out. Details of the scheme are made available to all employees when they are offered employment with the Council.
- 1.3 This document is a summary of the key conditions of the new-look LGPS. Employees should refer to the Pension Scheme documents provided by Northamptonshire County Council (NCC) (as the administering authority) for more detailed information.

2 MEMBERSHIP

- 2.1 To be eligible to be an active member of the LGPS, employees, whether full time or part time, will need to have a contract of employment for three months or more. If an initial contract of a shorter period is extended to cover at least three months of employment, then the employee can opt to join the LGPS from the start of employment.
- 2.2 If an employee has only a casual contract of employment, then there would need to be sufficient evidence of mutuality of obligation (between the Council as the employer and the casual employee) before a decision could be made about whether the employee is eligible to join LGPS.
- 2.3 The conditions and benefits of membership are outlined in a guidance pack produced by NCC and available from the Council's Human Resources office. This pack is sent out with offers of appointment.
- 2.3 NCC will provide Annual Benefit Statements to scheme members including details of accrued benefits, and an indication of LGPS benefits that members of the scheme would accrue if they continue to be an active member of the Scheme until their normal retirement date. Such statements will be sent by NCC to employees at their home address, so employees need to make sure that any changes to personal circumstances, including address are notified to NCC.

3. CONTRIBUTION RATE

- 3.1 From 1 April 2008, the percentage of gross pay which employees will pay as their pension contribution will be based on the current table which is available from Expenditure. Once an employee is put into a particular band, as a general rule this will stay the same until **either**

the following 1 April (when, for example, the national pay award for the previous year would be taken into consideration if it had not been implemented by 1 April in that year, and/or in year increments would be taken into account) **or** until an employee is appointed to a different post within the Council, in which case any applicable new band would take effect from the date of commencement of employment in the new post.

- 3.2 The amounts quoted in the salary range in the table will increase on 1 April each year by the rise in the Retail Prices Index.
- 3.3 The bandings are based on full time equivalent pay so pay for part time employees will be uprated to the full time equivalent so that the correct contribution rate can be determined.
- 3.4 The contribution rate paid by the Council as the employer is determined every three years by the Pension Fund's Actuary and notified to all employers. The percentage is expressed as a percentage of pensionable pay.

4. PENSIONABLE PAY

- 4.1 Pensionable pay is defined by the LGPS regulations 2007 as being:

"all the salary, wages, fees and other payments paid .. in respect of .. employment" and "any other payment or benefit specified in [an employee's] contract of employment as being a pensionable emolument."

- 4.2 An employee's pensionable payment specifically does **not** include:

(a) payments for non-contractual overtime

(b) any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment;

(c) any payment in consideration of loss of holidays;

(d) any payment in lieu of notice to terminate the employee's contract of employment;

(e) any payment made as an inducement not to terminate an employee's employment before the payment is made;

(f) any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such a provision.

- 4.3 At the point of retirement, the period normally used to calculate an employee's retirement benefits will be the final year's pay (that is, the 12 months immediately prior to the date of retirement.) However, the LGPS regulations require that the last three years of pay are considered, and the best one of these three is chosen as the basis for determining retirement benefits.
- 4.4 As with banding rates (described at 3.3 above) part time employees will have their pension benefits assessed on the full time equivalent salary.

5. IMPROVING/INCREASING BENEFITS

There are several ways in which it is possible to increase retirement benefits by making extra contributions:

Additional Regular Contributions (ARCs)

- 5.1 An employee who is a member of LGPS can increase his/her benefits by paying Additional Regular Contributions. These payments are set by Government Actuary tables and provide for additional pension benefits of multiples of £250 per annum up to a maximum of £5,000. The ARC can be used to obtain additional benefits purely for the employee making these payments, or for the employee and his/her spouse. Additionally, the employee may also pay contributions into a Personal Pension or a Stakeholder Pension Scheme, although the employee concerned will need to make his/own arrangements to do this. Such additional contributions attract tax relief.

Additional Voluntary Contributions (AVCs)

- 5.2 An employee who is a member of LGPS can pay additional contributions into an AVC fund. These contributions are invested separately from the Scheme and LGPS members will have their own personal investment account. There are restrictions as to when members can draw out their investment. LGPS members can opt to invest in an AVC of their own choosing (known as a Free Standing AVC) or through one of the Northamptonshire Pension Fund's nominated AVC providers, namely Prudential Assurance or Standard Life. At retirement, the accumulated fund can be used to buy an annuity from an insurance company, bank or building society or to purchase membership in the LGPS (subject to certain eligibility criteria.) If an LGPS member carries on contributing to the LGPS beyond age 65, he/she will not be able to purchase an annuity until:
- he/she retires, or
 - he/she reaches the eve of his/her 75th birthday, or
 - he/she has the Council's consent for flexible retirement

(Note: Members will receive a fund statement from their chosen provider annually)

AVCs and extra LGPS benefits

- 5.3 On leaving the LGPS with immediate payment of pension benefits, an employee who is an LGPS member will be able to use the accumulated fund in his/her AVC account to buy a top-up pension from the LGPS. The top-up pension will provide an inflation proofed pension and benefits for dependants.

AVCs and increased lump sum

- 5.4 At retirement, an employee who is a member of LGPS can choose to take up to 100% of the accumulated fund in his/her in-house AVC account as a tax free lump-sum if this is drawn at the same time as the LGPS pension benefits, providing that, when added to the LGPS lump sum, it does not exceed 25% of the overall value of the LGPS benefits (including the AVC fund.)

6. RETIREMENT

6.1 The normal retirement date for LGPS members is at age 65 for both men and women. . However, in certain circumstances, it is possible for a member to stay in employment and in the LGPS up to the eve of his/her 75th birthday. Retirement benefits are paid from the earlier of:

- The employee's date of retirement
- The eve of the employee's 75th birthday

6.2 For LGPS members working beyond the normal retirement date benefits accrued up to age 65 will be increased to reflect the fact that they have not been drawn at the age, and therefore they are expected to be paid for a shorter period of time.

6.3 Pension membership earned after age 65 will build up in the normal way.

Retiring on the grounds of redundancy or efficiency

6.4 If an employee who is also a member of the LGPS is made redundant by the Council, or is retired early by the Council on the grounds of the efficient exercise of the Council's functions, then the employee may be entitled to immediate payment of their LGPS benefits. (Until 31 March 2010, employees aged 50 or over would qualify for their LGPS benefits in these circumstances. However, from 1 April 2010, an employee would need to be aged 55 to be entitled to receive such benefits.)

Flexible retirement

6.5 LGPS allows employees over 50 (prior to 31 March 2010 – over 55 after that date) [to request their employer (in this case, the Council) to reduce their working hours or take a reduction in pay, by way of preparation for retirement. If either of these situations is granted, then employees can also request access to their pension benefits. However, accessing pension benefits flexibly is not an automatic entitlement and is at the discretion of the Council. The Council has already decided its policy on flexible retirement (see Appendix A to this policy)

Compassionate retirement

6.6 Under certain circumstances and with the agreement of the Council, a scheme member will be allowed to retire on compassionate grounds. This is explained in Appendix A.

Other early retirements

6.7 If an LGPS member has at least three months of membership of the Scheme, or has transferred membership from a previous scheme into the Northamptonshire Pension Fund, and is between 60 and 64, then he/she can leave voluntarily and receive immediate pension benefits, although these may be reduced.

6.8 Between the ages of 50 and 59 an LGPS member may also request early retirement, with the payment of LGPS benefits, but this would have to be the Council's agreement, and would need to come within the discretions described in Appendix A.

6.9 Retirement benefits are calculated as follows:

For service **prior to 1 April 2008**

$$\text{Annual Pension} = \frac{\text{Final pensionable pay} \times \text{Scheme membership}}{80}$$

$$\text{Retirement Lump Sum} = \text{Annual Pension} \times 3$$

For service **after 31 March 2008**

$$\text{Annual Pension} = \frac{\text{Final Pensionable Pay} \times \text{Scheme membership}}{60}$$

Retirement lump sum = nil

However, it will be possible to convert pension to lump sum at the rate of £1 of annual pension for £12 lump sum. Up to 25% of the pension benefit can be turned into a lump sum.

(note: If the LGPS member works part time, the membership is reduced to reflect part-time working but the full-time pay is used.)

7. SNC POLICY STATEMENTS (DISCRETIONS)

7.1 From time to time the Council is required to state its position regarding discretionary elements of the Pension Scheme. The Council's current policy in respect of discretions is set out in Appendix A.

8. LEAVING PRESENT JOB BEFORE RETIREMENT

8.1 Once a member leaves pensionable employment, he/she has several options:

Refunds

8.2 If an employee who is new to local government leaves within three months of commencing that employment, the employee can request a refund of the contributions he/she has paid. The refund will be made via payroll, and results in the employee being in a position as if he/she had never been a member of LGPS. As pension contributions are deducted from gross pay, tax adjustments may need to be made.

Transfers out of LGPS

- 8.3 At any stage, an employee who is a member of the LGPS can decide to transfer his/her pension benefits to another pension provider. The employee will need to contact NCC's Pensions Section to request that arrangements are made to put the transfer in place. The Pensions Section will be responsible for issuing a quotation for the value of the pension to be transferred, and the quotation will be valid for a period of three months. The employee will then need to ensure that he/she authorises the transfer within the three month period or a new quotation will be needed.

Deferred benefits – membership of LGPS of more than 3 months

- 8.4 An employee who is a member of LGPS for more than three months and who decides to leave the LGPS will become entitled to a deferred benefit. Once NCC's Pensions Section has been notified by the Council's Expenditure Section of the relevant leaver's details, the Pensions Section will send a form to the employee, giving information about the options available. The options are:
- to leave pension benefits in the LGPS until such time as the employee is able to access them (either on normal retirement age or if exceptional circumstances prevail, such as permanent ill – health)
 - transfer benefits to the pension scheme of a new employer
 - transfer benefits to a personal pension scheme
 - transfer benefits to a stakeholder pension

If the employee chooses to leave his/her pension benefits in the LGPS, he/she will be issued with an Annual Benefits Statement by NCC Pensions Section.

9 QUERIES AND FURTHER INFORMATION

- 9.1 Pensions in general are a complex issue. You can consult the Human Resources Team for general information, but not specific advice. Members of the scheme can make direct contact with the Pensions Team at Northamptonshire County Council. Contact details for them are available through their documentation.
- 9.2 If an employee who is a member of the scheme disagrees with a decision made by the Council, they have access to an Internal Disputes Resolution Procedure. In the first instance, disagreements should be referred to the Council's Accountancy Manager as the "specified person". Where a member remains dissatisfied with that person's decision they may refer the matter to Northamptonshire County Council (to the contact named in NCC documents, currently the Head of Financial Operations and External Relations).

EMPLOYING AUTHORITY (SNC) DISCRETIONS

With regard to paragraph 7.1 above, the Council's current policy in respect of discretions allowed under the relevant Regulations is as follows:

(a) Early retirement for employees between ages 50 and 60, and the operation of the "85 year rule"

To allow active scheme members aged 50 or more (and with three months or more service) and deferred beneficiaries to apply to retire with immediate payment of benefits and with no actuarial reduction, but on compassionate grounds only, compassionate grounds being defined as where an active member or deferred beneficiary needs to care full time for a close relative, spouse, partner or other dependant who, through illness, requires full time care for the rest of their life expectancy, which is anticipated to be in excess of 12 months from the date of the agreed medical advice.

(Note: Approvals under this discretion would only be exercised by the Appointments and Personnel Committee, following a full report, which included advice from the Council's medical adviser in respect of the person to be cared for.)

(b) Augmentation of scheme membership at any point during active membership of LGPS.

In exceptional circumstances only, and on a case by case basis, to exercise its power to augment LGPS membership under Regulation 52 of the Local Government Pension Scheme Regulations 1997 in cases where this is considered to be appropriate in lieu of a discretionary payment pursuant to the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006.

(c) Establishment of a shared cost additional voluntary contribution (SCAVC) scheme

No exercise of this discretion.

(d) Treatment of pre 1988 service for widower's benefits

- (i) To allow those individuals presently contributing towards increasing spouses' pensions to have the additional contributions stopped, and to have the period for which payment was being made, usable for assessing spouses' pensions.
- (ii) To allow all married women to elect to count service between 1972 and 1988 for full spouses' pension.

(Note: Prior to 6th April 1988, the LGPS had different, much lower, provisions for widowers' pensions than it has had for widows' pensions. It was, however, possible for female employees to elect to pay increased contributions to increase the level of their widowers' benefits in respect of service between 1972 and 1988).

- (e) Allow flexible retirement to permit an individual who has attained the age of 50 to reduce his/her hours, or the grade in which he/she is employed, and to permit pension benefits to be paid at the same time as remaining in the new employment.**

No exercise of this discretion

- (f) Waiving the actuarial reduction for flexible retirement (in the circumstances described at (e) above).**

Not applicable in the light of (e) above

ADMINISTERING AUTHORITY (NCC) DISCRETIONS

In addition to the policy on discretions as the employing authority as outlined above, the Council has agreed to support the following Northamptonshire County Council proposals.

- (a) Abatement of pensions**

To continue with the existing abatement rules as defined under current legislation.

- (b) Remarriage and Cohabitation**

To continue with the payment of widows' and the widowers' pensions on the event of remarriage or cohabitation where the event took place on or after 1st April 1998.