

# The LGPS for Councillors in England and Wales



The Local Government Pension Scheme (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 council's scheme of allowances and who are under age 75.

This leaflet gives you a brief outline of the main benefits of the Scheme and explains what you pay in and what you can expect in return.

The LGPS is a secure scheme because the benefits are guaranteed by law. The benefits you get when you retire are based on the number of years you have been a member of the Scheme and your average pay as a councillor. The benefits are not dependent on share prices and are not affected by stock market fluctuations.

## **How do I join the LGPS?**

It will be up to you to decide whether or not to join the Scheme, although you have to be under age 75. To secure your entitlement to the Scheme benefits it is important that you complete and return form LGP2ac to your council's payroll department. On receipt of your form, relevant records will be set up and an official notification of your membership of the Scheme will be sent to you.

## **Can I join if I already pay into another pension?**

Yes - you can pay into as many different pension schemes as you want. You can pay up to 100% of your UK taxable earnings in any one tax year into any number of pension arrangements of your choice (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme) and be eligible for tax relief.

## **What do I pay?**

You currently pay 6% of your allowances<sup>1</sup> as a councillor into the LGPS. If you pay tax you will get tax relief<sup>2</sup> on your contributions at the time they are deducted from your allowances and if you pay National Insurance you will pay a lower rate of NI contributions up to State pension age. Your council pays the rest of the cost of providing your LGPS benefits, which costs the council about double the amount you pay.

**What are the benefits?**

Life cover from the moment you join, with a lump sum of 2 times your career average pay being paid if you die in service under the age of 75.

Cover for your family with a pension for your husband, wife or civil partner<sup>3</sup> and for eligible children should you die.

Retirement Benefits after 3 months membership:

You can retire from office and draw your pension at age 60<sup>4</sup> or over, even though the Scheme's normal pension age is 65. It's also possible to retire from age 50<sup>5</sup> and receive your benefits immediately, but only if your council gives their consent to immediate payment.

Immediate benefits are payable at any age if you have to retire because of permanent ill health.

When you retire you can look forward to:

A tax-free lump sum, and

A pension for life that increases each year in line with the appropriate cost of living index.

**How are benefits worked out?**

Your LGPS retirement pension when you retire is calculated as 1/80<sup>th</sup> of your career average pay for each year of membership of the LGPS:

$$\text{Annual Pension} = \frac{\text{Membership in the LGPS} \times \text{Career Average Pay}}{80}$$

Plus you get a lump sum of 3 times that amount:

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

You can, if you wish, give up some of the pension when you draw your benefits in order to get a bigger lump sum. Up to 25% of the capital value of your pension benefits may be taken as a lump sum. You receive £12 lump sum for each £1 of pension given up.

**What is career average pay?**

This is your allowances<sup>1</sup> as a councillor for each year or part year ending 31 March adjusted (other than the final year's pay) by the change in the cost of living, as measured by the appropriate index(es), between the end of the relevant year and the end of the month in which you leave the Scheme.

The aggregate of each year's revalued pay is then divided by the total number of years and part years you have been a member of the LGPS to arrive at a career average pay. This is used in the calculation of your LGPS benefits.

**Can I transfer previous pension rights into the LGPS?**

You cannot transfer previous pension rights into the LGPS from another pension scheme, personal pension plan, another LGPS fund or from LGPS membership as an employee. If you have LGPS pension rights from a previous period of councillor membership in the same LGPS Fund you can combine them with your current councillor membership but only within 12 months of rejoining the Scheme, or longer if your council allows.

**What happens if I leave before retiring?**

If you have at least 3 months membership and you leave before becoming entitled to the immediate payment of your benefits, they will be deferred for payment, normally until age 65.

You may be able to transfer your LGPS benefits to another pension scheme, although you cannot transfer them to another LGPS Fund in England or Wales or join them to any membership of the LGPS you might take up as an employee in England or Wales.

If you have less than 3 months membership you may be able to claim a return of contributions less tax and an amount for National Insurance.

**Can I pay more to improve my pension benefits?**

You can increase your benefits by making additional voluntary contributions (AVCs).

Also, you may be able to pay contributions into a personal pension plan or stakeholder pension scheme.

### **How do I join the LGPS?**

If you are under age 75 and you wish to join the LGPS, please complete the enclosed LGP2ac and forward it to your council's payroll department.

Once you have joined the Scheme you should check your payslip details to make sure contributions are being collected from your allowances.

### **Want to know more?**

This leaflet gives a brief outline of the LGPS. You can find more information by logging on to [www.lgps.org.uk](http://www.lgps.org.uk) and, if you are thinking of joining, you can obtain a full Scheme guide from the Fund by calling **0151 242 1392**.

This leaflet is for councillors in England or Wales and reflects the current provisions of the LGPS at the time of publication in April 2011. Changes to the Scheme may be made by the Government in the future after consultation with interested parties.

This leaflet is a brief guide to the Local Government Pension Scheme and cannot cover every personal circumstance. In the event of any dispute over your pension benefits, the appropriate legislation will prevail. This leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

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<sup>1</sup> In England, this is your basic allowance or special responsibility allowance, or both, which is specified as being pensionable in your council's scheme of allowances. In Wales it is your basic and special responsibility allowance. It does not include any dependants' carers allowance, travelling and subsistence allowance, or co-optees allowance.

<sup>2</sup> There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increase in any one year by more than the annual allowance of £50,000 you may have to pay a tax charge. Most people will not be affected by the annual allowance.

<sup>3</sup> A civil partnership is a relationship between two people of the same sex ("civil partners") which is formed when they register as civil partners of each other.

<sup>4</sup> Benefits payable before age 65 will be paid at a reduced rate.

<sup>5</sup> Benefits payable before age 65 will be paid at a reduced rate. If your council gives their consent to pay your benefits before age 55, this may result in a tax charge on your benefits. This would be in addition to the normal PAYE tax on your monthly pension. Payment of benefits on or after age 55 will not result in this additional tax charge.