

## Local government pension scheme

Changes to the local government pension scheme (LGPS) were introduced on 1 April 2008 and this factsheet takes account of those changes.

### **Membership of the local government pension scheme**

Membership of the LGPS is automatic: pension contributions will be deducted from salary unless you opt out of the scheme. This applies to all local government employees appointed on a three-month contract or longer, working on either a full or part time basis. If employed on a casual (ad hoc) basis, with no permanent contract, you will be automatically entered into the LGPS once you have completed three months' employment even if this is achieved through one or more consecutive contracts, with the option to backdate contributions to your original start date. If you have more than one job it is possible to have more than one LGPS pension.

The LGPS is administered locally for participating employers through 99 regional pension funds. Visit the LGPS website at [www.lgps.org.uk](http://www.lgps.org.uk) to find how to contact your pension fund administrator, or ask your employer.

If working for an admitted body\* you have to apply to join the LGPS, entry to which is at the discretion of your employer. You will need to ask your employer what pension arrangements are in place for you.

If you have opted out of the LGPS at any time and start a new post that you wish to be pensionable, it will be necessary for you to opt back in.

You may have pensionable and non-pensionable employments at the same time.

\*This is an organisation that chooses to be admitted to the LGPS in order to provide access to the scheme for some or all of its employees. Admitted bodies usually provide a public service (cleaning, gardening or maintenance contracts amongst others).

### **Contributions**

The level of your contributions depends on how much you earn on 1 April of each year, as follows:

Pensionable pay	Contribution rate
Up to £12,000	5.5%
£12,000.01 - £14,000.00	5.8%
£14,000.01 - £18,000.00	5.9%
£18,000.01 - £30,000.00	6.5%
£30,000.01 - £40,000.00	6.8%
£40,000.01 - £75,000.00	7.2%
Over £75,000.01	7.5%

The salary bands will be adjusted each year in line with inflation. The contribution rates will not change yearly, but are subject to change in the future following your local fund's actuarial review.

Following the changes to the LGPS any employee (manual worker) who has been paying a protected contribution rate of 5% will have their contribution rate increased over a period of time to 6.5% as follows, or the lower tiered rate (see table below):

Tax year	Contribution rate
2008/09	5.25%
2009/10	5.5%
2010/11	6.5% or lower tiered rate

### **Normal pension age**

As was the case before the changes on 1 April 2008, the normal pension age is 65 for all members.

You may have more than one post and be paying into separate pensions. If you leave one of your posts you will have the choice of either taking your pension on the post you are leaving or merge the benefits with those from your ongoing post and access your total benefits when you retire from all pensionable LGPS employments. You should contact your pension fund administrator for further details.

### **85-year rule**

Until 31 March 2008 you could access your pension prior to the age of 65 without any actuarial reduction if your membership of the LGPS plus your age equalled 85 years.

The government's legal advice was that the '85-year rule' was in breach of Age Discrimination legislation that came into force on 1 October 2006. Consequently, the 85-year rule has been removed but there are protections for those who were members of the LGPS as at 30 September 2006:

- i) If you were an existing scheme member at 30 September 2006 and retire before age 65, the benefits you build up in the scheme from 1 April 2008, or after 31 March 2016 if you will be age 60 or over by then, will be paid at a reduced rate to reflect the fact that you will be drawing them early.
- ii) If you will be aged 60 between 1 April 2016 and 31 March 2020 and meet the 85-year rule by 31 March 2020, the benefits you build up from 1 April 2008 will still be reduced but the

reduction will not be the full amount. Check with your pension fund administrator for details.

If you joined the LGPS on or after 1 October 2006, you are not eligible to retire early with unreduced benefits as per the 85-year rule so the protection described above does not apply to you.

### **How benefits are calculated**

#### **Pensionable salary**

Your pension will be calculated by reference to your pensionable salary. This means the most beneficial of either the salary you earned in the 12 months leading up to retirement, or in the best year in your last three years, or the average of your three best consecutive years ending 31 March, within the period of 10 years up to date of retirement.

#### **Your pension benefit**

You will retire with a pension of 1/80 of pensionable salary for each year of pensionable service up to 31 March 2008, plus an automatic lump sum of three times the annual pension.

You will retire with 1/60 of pensionable salary for each year of pensionable service from 1 April 2008, with no automatic lump sum but the option to convert up to a maximum of 25% of your pension fund's notional value at a rate of £1 for £12 cash. There is a complex formula for calculating this notional value and your pension fund administrator can provide details as you approach retirement.

Benefits are payable by reference to your pensionable salary and total of pensionable service. If working on a part time basis your pension will be based on the equivalent full time salary rate but service will be credited on a pro rata basis for those periods when working part time. For example if you worked on a 0.5 contract for 20 years you will have accrued 10 years' pensionable service. If you are employed on a term-time only basis, your full-time equivalent (FTE) will be based on a 44-week year. For example, if you earn £6,000 for working on a 0.5 contract over 39 weeks, your FTE salary will be calculated as £13,538.46.

### **Retirement**

Please note that as a result of pension legislation all pension benefits must be put into payment prior to your 75th birthday.

#### **Premature retirement**

If your employment is terminated by reason of redundancy or "in the efficient discharge of the employer's functions" your pension benefits will be payable immediately with no actuarial reduction. Premature retirement is only possible from age 50 for those in the LGPS before 1 April 2008 retiring before 31 March 2010 or from age 55 for those joining the LGPS from 1 April 2008.

#### **Actuarially reduced benefits**

You can choose to take your benefits from the age of 60, or from 55 with your employer's consent, but these will be actuarially reduced (unless your employer offers to waive the reduction) to account for the fact that they are being paid early.

Please note that from 1 April 2010 the minimum age that anyone, other than those retiring on the grounds of ill health, can access their pension benefits will be 55.

### Actuarially enhanced benefits

If you work past the age of 65 without claiming your pension your benefits will be enhanced to account for the fact they are paid after normal retirement age. However, as stated above, all pension benefits must be put into payment before you reach the age of 75.

### Flexible retirement

With the agreement of your employer it will be possible for you to draw down a percentage of your accrued LGPS pension rights from age 55 while continuing to work. If you are under the age of 65 the benefits taken will be actuarially reduced. You will also build up an additional pension as you continue to work, in addition to the remainder of your original pension.

### Ill health retirement

From 1 April 2008 there is a three-tier ill health retirement scheme.

To qualify for ill health retirement you must have two years' membership of the LGPS and in most circumstances will have been dismissed on the grounds that you are incapable of carrying out your duties or those of a comparable post. If dismissed, your case will be passed to an independent specially qualified doctor, who will assess and determine whether or not an award will be made and the level of that award.

#### Tier 1

If it is found that there is no reasonable prospect of you being able to return to work before the age of sixty-five your pension will be enhanced with service equal to all prospective service from date of termination of contract to normal retirement age of 65.

It is possible to be medically retired from one post and receive a pension while still working in a second post. This is currently under consideration as a result of the introduction of the term 'gainful employment', which is defined as 30 hours' work per week over 12 months.

#### Tier 2

If your employment is terminated on the grounds that your ill health leaves you permanently incapable of undertaking your current duties and you are unlikely to be able to undertake gainful employment within a reasonable time your pension will be enhanced by 25% of your prospective service to age 65.

#### Tier 3

If you are certified as being permanently incapable of doing your job but are likely to be able to undertake gainful employment within three years, you will get a pension based on the amount of service you have accrued but with no enhancement for a fixed period of three years.

If you secure gainful employment your pension will be stopped.

If after 18 months you have not secured gainful employment, your employer will have to review your situation and seek a further medical assessment to determine whether or not you are likely to be capable of undertaking gainful employment by the end of the three years. Following this it is possible that you will be awarded a Tier 2 pension if your employer decides, as a result of the review and at their discretion, that in hindsight a Tier 2 pension would have been more appropriate. Otherwise your pension will cease at the end of the three-year period.

### Deferred benefits

If you leave LGPS pensionable employment before reaching normal retirement age and accessing your pension benefits, your pension will be preserved in the LGPS, attracting index-linking in line with the RPI. Your deferred benefits are normally payable from age 65, although they can be paid earlier. You can request early payment of your deferred benefits from age 50, but you must have your former employer's permission for payment before age 60, and your benefits would usually be reduced for early payment. Your benefits would be payable without reduction if they were brought into payment early due to ill health.

### Death and survivor benefits

#### Death in service

If you die whilst in pensionable service, a lump sum payment of three times your annual salary is payable. This will be based on actual earnings for part-time staff, rather than the equivalent full time salary. You should make a nomination for the recipient/s of this grant, although the regional fund has the ultimate discretion over to whom this is paid. In the event of no nomination having been made, executors need to apply to the LGPS.

A pension will also be payable to your spouse, civil partner or nominated co-habiting partner and any eligible dependent children. The pension payable to a spouse, civil partner or nominated cohabiting partner will be at the rate of 1/160 of your final pensionable salary for each year of your pensionable service, although a pension for a nominated cohabiting partner is only in respect of service from 6 April 1988. You must be a contributing member on or after 1 April 2008 in order to nominate a cohabiting partner.

Children's pensions will be payable to children in full time education up to the age of 23, with the amount depending on the number of children and whether or not a spouse, civil partner or nominated cohabiting partner's pension is also payable. If you have more than one eligible child, your pension fund administrator will decide how to share the children's pension between them.

#### Death in deferment

If you were to die after you have left pensionable service but before accessing your pension benefits, a lump sum would be payable to a nominated person or persons or to your estate, as above. This lump sum would be calculated as being five times the pension that would have been payable to you, had you retired at the date of death. This would be a tax-free payment. Survivor pensions would also be payable as above.

#### Death after retirement

If you were to die within 10 years of retirement and before age 75, a lump sum of 10 times your pension at date of death, less the pension already paid, would be payable. This would be a tax free payment. Survivor pensions would also be payable, as above.

### Improving your pension benefits

You can improve your pension by buying up to £5,000 worth of annual pension provision, contribute to the in-house Additional Voluntary Contribution Scheme or a Free-Standing Additional Voluntary Contribution Scheme, or contribute to a Stakeholder Pension.

Your employer also has the power to increase your pensionable service by up to a maximum of six and two-thirds added years or potential service to age 65 and to increase a pension by up to

£5,000 per annum. This is entirely at your employer's discretion and your employer should have a policy on the use of this discretion.

**The above is a general overview of the LGPS. Every authority has its own pension fund. There could be variations between funds so, before making any decisions regarding your pension, you should first speak with your pension fund administrator. Contact ATL on 020 7782 1600 if you have any concerns about your LGPS pension benefits.**



### **Need advice?**

Your first point of contact is your ATL rep in your school or college. Your local ATL branch is also available to help with queries, or you can contact ATL's member advisers on **020 7930 6441**, email: **info@atl.org.uk** or write to 7 Northumberland Street, London WC2N 5RD. Don't forget you can also get lots of help and advice, as well as download copies of other ATL advice sheets, on our website at **www.atl.org.uk**

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