

information sheet

pensions for councillors



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The regulations set out the pension provisions that relate to elected members (including mayors) in England and the role the independent remuneration panel plays in the process of deciding who may be eligible for membership of the scheme. The independent remuneration panel is able to make recommendations as to which members of an English district council, county council or London borough council (who are under age 70) should be entitled to membership of the LGPS and whether the basic allowance or special responsibility allowance, or both, should be made pensionable.

A council's scheme of allowances must set out which members of the authority are to be entitled to membership of the LGPS and also whether the basic allowance or special responsibility allowance, or both, is to be pensionable. The council will only be able to make membership of the LGPS available to those elected members who are recommended for membership of the LGPS by the independent remuneration panel, but the council can decide not to offer membership to some or all of the recommended councillors; where a council's scheme offers membership of the LGPS to an elected member (an "eligible councillor") it will be for that elected member to decide whether or not to opt into the LGPS; (the relevant form(s) which enable councillors to opt in to the scheme are available from each authorities pension officer).



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An "eligible councillor" is entitled to join the Scheme at any age prior to age 70 and remain as an active member in the LGPS until reaching age 70; and an elected member who opts to join the LGPS (a "councillor member") is, for the purposes of the Scheme, to be treated as a whole time employee.

What does it cost to join the scheme?

The contribution rate for a "councillor member" is 6% of the councillor's pensionable allowances as specified in the Council's scheme of allowances. A "councillor member" is not able to purchase added years (under regulation 55 of the LGPS Regulations 1997) but can make **Additional Voluntary Contributions (AVC)**, subject to the normal 15% overall limit.

Details of the West Midlands Pension Fund's AVC facility are available direct from the **AVC** Provider on the number shown below:

PRUDENTIAL 0845 607 0077

It should be noted, however, that unlike "employee" scheme members, a "councillor member" will not be able to use the accumulated AVC pot to purchase an annuity from the LGPS upon retirement with immediate benefits but must, instead, purchase an annuity (at any time up to age 75) either from the AVC provider or another provider on the open market.

Does the authority contribute towards the scheme on my behalf, and if so, how much?

The employer's contribution rate to the LGPS will be the same as applies in respect of other scheme members of the authority, as assessed by the Fund Actuary every three years.

Note: The employer cannot enter into a Shared Cost Additional Voluntary Contribution arrangement in respect of a "councillor member".

How do I join the scheme?

Complete the relevant form(s), which enable councillors to opt in to the scheme; these are available from each authority's pension officer. You should note an "eligible councillor" who opts to join after his/her term of office has commenced becomes a member on the first day of the first payment period following the application to join.

How does membership of the scheme count?

An "eligible councillor" who opts to join the LGPS becomes a "councillor member" and service will

count as whole time service in the LGPS from the date he / she joins the Scheme.

Membership as a "councillor member" only counts for the purposes of calculating entitlement to, and the amount of, benefits under the Scheme as a "councillor member". In other words, scheme membership as a councillor is treated entirely separately from any scheme membership the person may have had, or may subsequently accrue, as an employee of a Scheme employer (and vice versa) when determining entitlement to, and the amount of, benefits under the LGPS. "Councillor membership" and membership derived from employment as an employee cannot be aggregated.

As benefits for a "councillor member" are based on career average pay "councillor members" cannot transfer pension rights into the LGPS from another Scheme or arrangement and cannot transfer "councillor membership" from another LGPS Fund. Similarly, a "councillor member" cannot aggregate any concurrent membership (under regulation 32A or 87(4) of the LGPS Regulations 1997).

A "councillor member" may, however, aggregate any earlier membership as a "councillor member" with a current period of membership as a "councillor member" provided that both the earlier and current periods are with authorities participating in the same Fund.

If the "councillor member" does not aggregate (or is not able to aggregate) two separate periods of "councillor membership", the earlier period: will not count in the later period towards:

- calculating the amount of benefits;
- calculating the amount of any ill health enhancement;
- the 85 year rule

but will count towards:

- qualifying for benefits.

It should be noted that the authority is not permitted to increase membership (under regulation 53 of the LGPS Regulations 1997) for a new "councillor member" nor is the authority permitted (under regulation 52 of those Regulations) to increase membership for a "councillor member" who leaves aged 50 or over.

What benefits are payable to a "councillor member"?

The amendments to the LGPS Regulations 1997 mean that "councillor members" are:

Entitled to benefits from the Scheme, provided they have 2 years membership or have attained normal retirement age (age 70);

Entitled to retire voluntarily on or after age 65 and before age 70 (but with an actuarial reduction if the member does not satisfy the 85 year rule (see below) at the date of retirement, unless the council agrees to waive the reduction on compassionate grounds);

Entitled, if the council gives its permission, to receive retirement benefits on or after age 50 and before age 65 (with an actuarial reduction if the 85 year rule is not satisfied, unless the council agrees to waive the reduction on compassionate grounds);

Entitled to ill health benefits if they cease to be a councillor by reason of being permanently incapable (until age 70) of discharging the duties of your office efficiently because of ill-health or infirmity of mind or body.

A councillor members also has provision, by virtue of their membership for spouse's and children's benefits, such benefits being calculated in the same way as for other scheme members' spouse's and children's benefits apart from the fact that they will be calculated by reference to career average pay rather than final pay;

The 85 Year Rule

If you retire, your pension and lump sum, initially calculated as detailed in "How are the benefits calculated?" may be reduced.

The reduction depends on your age at retirement and your **total membership**, both counted in whole years only, and is calculated in accordance with the '85 year rule'.

The 85 year rule means that if these, when added together, equal at least 85, there is no reduction. If they equal less than 85, both your pension and lump sum will be reduced in proportion to the lesser of a) the number of years and days until you would satisfy the 85 year rule and b) the number of years and days until you would reach your **normal retirement date** (age 70).

The reduction is calculated in accordance with guidance issued by the Government Actuary from time to time.

But "councillor members" are not:

Covered by the redundancy/efficiency early retirement provisions (regulation 26 of the LGPS Regulations 1997). This is because a councillor losing office is not deemed to be in a redundant situation.

When are deferred benefits payable to councillor members?

Deferred benefits are awarded to a "councillor member" who is an "early leaver" before pensionable age with at least 2 years' membership. Benefits are payable without reduction from age 70 or from any earlier date on or after age 65 as the "councillor member" elects when he/she would have satisfied the 85 year rule. Alternatively, the deferred benefits can be paid at an actuarially reduced rate on or after age 65 and before age 70 where the member does not satisfy the 85 year rule; or if the council gives its permission, at any time on or after age 50 and before age 65 (but with an actuarial reduction if the 85 year rule is not satisfied); or from any date the person is no longer a councillor and becomes permanently incapable of discharging efficiently his/her former duties as a councillor by reason of ill health or infirmity of mind or body.

How are the benefits calculated?

When a councillor member leaves the scheme/retires, their benefits will be calculated as follows:

Annual Pension:

$$\left(\frac{\text{Number of years in the LGPS as a councillor}}{80} \right) \times \text{Career average pay}$$

Lump Sum:

$$\left(\frac{\text{Number of years in the LGPS as a councillor}}{80} \right) \times \text{Career average pay} \times 3$$

Career average pay is the pensionable pay for each year or part year ending 31 March increased (other than the final years pay) by the rise in the Retail Prices Index between the end of the relevant year and the last day of the month in which the "councillor member's" active membership of the Scheme ends. The aggregate of each years revalued pay is then divided by the total number of years and part years to arrive at the career

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