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# Employers Guide to the LGPS

## Full Guide to The Local Government Pension Scheme (LGPS)



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# Employers Guide to the LGPS

## Introduction

# 1 – INTRODUCTION

## 1.1 Administrative Procedures – the Guide

The aim of this guide is to provide an outline of the administrative responsibilities of all employers under the Local Government Pension Scheme (LGPS) as administered by the Avon Pension Fund and explains the various procedures, which should be followed for the duration of an employee's membership. The responsibilities have been summarised below. Within time limits that have been specified either in a Service Level Agreement or within the Fund's Pension Administration Strategy document employers must:

- Identify eligible members of the scheme
- Inform Avon Pension Fund of all new starters
- Inform Avon Pension Fund of any changes, such as Changes of Hours or Absence
- Process ill-health cases
- Report the death of active members
- Process leaver forms
- Report changes to a member's data eg. contribution rate, hour changes, part-time or term-time working, absences and maternity, paternity and adoption leave
- Prepare and publish discretionary policies
- Maintain payroll records for a period of 10 years and ensure that scheme contributions and AVCs are deducted and paid over at the appropriate rates and time
- Provide accurate data to the Avon Pension Fund as required for benefit calculations, end of year updates and membership data

The internal administrative procedures followed by employers vary enormously. It is therefore impossible to produce a guide that reflects these procedural differences.

Wherever possible, the Fund recommends that LGPS forms are raised by Human Resources that is responsible for the member, and passed to the employer's payroll department or payroll provider for completion where pay details etc are needed. This ensures that all necessary information is collated and forwarded to the Pensions Section promptly.

The guide contains a complete set of current forms. **Only use current forms.** Old forms may not request data required by the current pension regulations.

The Pensions Section holds details of all users issued with this Guide. Whenever a form or a procedure is changed, revised pages will be automatically issued via email.

**This Guide should not be treated as an authoritative interpretation of the law.** Throughout the guide references to the relevant regulation are made in bold.

There are separate pension schemes for Firefighters, Police and Teachers (including Lecturers). However, the civilian staff of Fire Brigade Authorities, Police Authorities are eligible to be members of the Local Government Pension Scheme

## 1.2 Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a public service pension scheme for local government employees in England and Wales. The main rules are set out in:

- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 ([as amended](#)) (the Benefits Regulations), and
- the Local Government Pension Scheme (Administration) Regulations 2008 ([as amended](#)) (the Administration Regulations)
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 ([as amended](#)) (the Transitional Regulations)

All of these Regulations are effective from 1 April 2008

Bath & North East Somerset Council is the Administering Authority for the Avon Pension Fund. The Fund administers the LGPS for over 90 employers.

To be able to join the LGPS, an employee must work for an employer who participates in the LGPS ([a Scheme Employer](#)). There are three types of employer who are able to participate, as follows:

- ***Scheduled Body:***

this is a statutorily defined body listed within **Part 1 of Schedule 2** of the Administration Regulations and has a statutory obligation to participate in the LGPS. The list can be found in Appendix 1 at the end of this part.

- ***Designating Body:***

this is a statutorily defined body listed within **Part 2 of Schedule 2** of the Administration Regulations and it has the power to designate which of their employees can join the LGPS. The list can be found in Appendix 1 at the end of this part.

- ***Admission Body:***

a) Community Admission Body – a body that satisfies the requirements of **Regulation 5** of the Administration Regulations can be admitted to the Avon Pension Fund by an admission agreement approved by the administering authority.

b) Transferee Admission Body - a body that provides a service of a Scheme Employer by means of a contract or other arrangement and satisfies the requirements of **Regulation 6** of the Administration Regulations can be admitted to the Avon Pension Fund by an admission agreement approved by the administering authority.

The Employers' Area of the Avon Pension Fund website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) contains a section Outsourcing (TUPE) with comprehensive information about the requirements for Scheme Employers to consider pension provision as part of an outsourcing project and how service providers can become Transferee Admission Bodies.

## **Appendix 1**

### **SCHEME EMPLOYERS - PART 1**

1. The Commission for Local Administration in England.
2. In England, a county council, a district council, a London borough council or the Common Council.
3. In Wales, a county council or a county borough council.
4. [A residuary body established by Part 7 of the Local Government Act 1985 or the Residuary Body for Wales]. *Check position*
5. A joint board, body or committee appointed under any Act or statutory order or statutory scheme, of which all the constituent authorities are councils of a description in paragraph 3 or 4 or bodies of a description in paragraph 5 or a combination of such councils or bodies.
6. A fire and rescue authority within the meaning of the Fire and Rescue Services Act 2004.
7. A valuation tribunal in Wales established under Schedule 11 to the Local Government Finance Act 1988.
8. A police authority within the meaning of the Police Act 1996.
9. A National Probation Service local board.
10. The Chichester Harbour Conservancy.
11. The Lee Valley Regional Park Authority.
12. A passenger transport authority.
13. The Broads authority.
14. A further education corporation.
15. A higher education corporation.
16. The London Pensions Fund Authority.
17. The South Yorkshire Pensions Authority.
18. The Environment Agency.
19. A National Park Authority established under Part 3 of the Environment Act 1995.
20. An Education Action Forum within the meaning of section 11 of the School Standards and Framework Act 1998.
21. The National College for School Leadership.
22. The Standards Board for England.
23. An Academy within the meaning of section 482 of the Education Act 1996 or as a result of section 67 of the Education Act 2002 (conversion of city academies into Academies).
24. A body set up by a local housing authority in exercise of powers under section 2 of the Local Government Act 2000 [as a housing management company] to exercise

management functions of the authority under an agreement approved by the Secretary of State under section 27 of the Housing Act 1985.

25. The Valuation Tribunal service.
26. A conservation board established under section 86 of the Countryside and Rights of Way Act 2000.
27. Firebuy Limited.

## **PART 2**

1. The Board of Governors of the Museum of London;
2. A body (other than a body listed in Part 1 of this Schedule) which is—
  - (a) a precepting authority (as defined in section 69 of the Local Government Finance Act 1992),
  - (b) a levying body within the meaning of section 74 of the Local Government Finance Act 1988 (levies), or
  - (c) a body to which section 75 of that Act (special levies) applies.
3. A passenger transport executive;
4. A designated institution which immediately before designation was assisted or maintained by a local education authority;
5. A company under the control of a body listed in Part 1 of this Schedule.
6. The Public Services Ombudsman for Wales.
7. The Serious Organised Crime Agency.
8. Transport for London.
9. The London Development Agency.
10. The Metropolitan Police Authority.
11. The London Transport Users' Committee.
12. The Cultural Strategy Group for London.
13. The Children and Family Court Advisory and Support Service.
14. An urban development corporation.

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# Employers Guide to the LGPS

## Joining and Rejoining the LGPS

## 2 – JOINING & REJOINING THE PENSION SCHEME

### 2.1 Eligible Employers

To be able to join the LGPS, an employee must work for an employer who participates in the LGPS. There are three types of employer who are able to participate, as follows:

- **Scheduled Body:**

this is a statutorily defined body listed within **Part 1 of Schedule 2** of the Administration Regulations and has a statutory obligation to participate in the LGPS. The list can be found in Appendix 1 at the end of this part.

- **Designating Body:**

this is a statutorily defined body listed within **Part 2 of Schedule 2** of the Administration Regulations and it has the power to designate which of its employees can join the LGPS. The list can be found in Appendix 1 at the end of this part.

- **Admission Body:**

a) Community Admission Body – a body that satisfies the requirements of **Regulation 5** of the Administration Regulations can be admitted to the Avon Pension Fund by an admission agreement approved by the administering authority.

b) Transferee Admission Body - a body that provides a service of a Scheme Employer by means of a contract or other arrangement and satisfies the requirements of **Regulation 6** of the Administration Regulations can be admitted to the Avon Pension Fund by an admission agreement approved by the administering authority.

An employee of an Admission Body can elect to join the LGPS if he/she has been nominated by the Admission Body as being eligible to join.

### 2.2 New Employees

#### a) Employees of Scheduled Bodies

All new employees, including new employees of Foundation Schools/Trust Schools will **automatically** become members of the LGPS from the first day of their employment:

- unless the employee has the right to join another public service pension scheme this includes firefighters, teachers and lecturers unless they are excluded from their own scheme, and
- providing there is a contract of employment of three month's or more, and
- providing the employee is less than 75 years of age
- unless notice has been given to the employer to opt out of the LGPS before the date of commencement of employment
- with the exception of casual employees where there is **no mutuality of obligation** (see section on casual employees)

See section 2.8 Pension Starter Pack.

## **b) Employees of Designating Bodies**

All new employees will **automatically** become members of the LGPS from the first day of their employment:

- providing the employer has designated them as being eligible to join the LGPS, and
- providing there is a contract of employment of three month's or more, and
- providing the employee is less than 75 years of age
- unless notice has been given to the employer to opt out of the LGPS before the date of commencement of employment
- with the exception of casual employees where there is **no mutuality of obligation** (see section 'd' on casual employees)

See section 2.8 Pension Starter Pack.

## **c) Employees of Admission Bodies**

All new employees can become members of the LGPS from the first day of their employment or later

- providing the employer is allowed to nominate them as being eligible to join the LGPS, within the terms of the admission agreement, and
- providing there is a contract of employment of three month's or more, and
- providing the employee is less than 75 years of age, and
- providing the employee has elected to join the LGPS
- with the exception of casual employees where there is **no mutuality of obligation** (see section 'd' on casual employees)

See section 2.8 Pension Starter Pack.

If an election to join is not made before the employment commences the employee will not become a member until such an election is made. If the election is made at a later date, the date of entry to the LGPS will be the 1<sup>st</sup> of the month following the date of the employee's election.

## **d) Employees with Contracts of Three Months or Less**

Regulation 2(2) of the Benefits Regulations makes it clear that an **employee** must have a contract of employment of three month's or more in order to be able to join the LGPS. Therefore an employee with a contract for three months or less cannot join the scheme. However, the following rules apply if the employee's contract is extended so that, in aggregate, the contract periods are for 3 months or more:

- (i) an employee of a Scheduled Body should join the LGPS from the date of the contract extension (unless they opt out or are aged 75 or over). The employee will have the option to backdate contributions to the original start date. Employers will need to put procedures in place to pick these cases up and offer backdated membership to the employee.
- (ii) an employee of a Designating Body should join the LGPS from the date of the contract extension if the employer has designated them as eligible for membership of the LGPS (unless the employee chooses to opt out or is aged 75 or over). However, the backdating option mentioned in (i) above **does not apply** to employees of Designating Bodies.

- (iii) an employee of an Admission Body will be able to opt into the scheme from the date of the contract extension if they are otherwise eligible for membership of the scheme under the admission agreement (unless the employee chooses to opt out or is aged 75 or over). The backdating option mentioned above **does not apply** to employees of Admission Bodies.

## e) Casual Employees

Whilst Regulation 2(2) of the Benefits Regulations makes it clear that an **employee** must have a contract of employment of more than 3 months' duration in order to be able to join the LGPS this has an impact on the pensionable status of casual employees, of which there are two types. See footnote<sup>1</sup>:

- (i) where there is a fixed-term or open-ended contract **with mutuality of obligation**. In these cases the employer has issued a contract of employment (although there are no contractual hours) and the employee is under an obligation to accept work under that contract as and when it is offered. Those employees in this category are eligible for membership if the contract is open-ended or the fixed-term is for more than 3 months' duration and will become members of the LGPS subject to section 2.2 (a), (b) or (c).
- (ii) where there is **no mutuality of obligation**. In these cases the employer is under no obligation to offer employment and the worker is under no obligation to accept any work offered. A contract of employment only exists on the days when work is both offered and accepted. Those in this category are unlikely to ever meet the 3 month requirement and would thus be excluded from the Scheme.

## 2.3 Employees who have more than one contract

If an employee is given an additional contract with the same employer the employee must be treated as a new employee and treated in accordance with paragraphs a) to e) of Section 2.2 New Employees. The pension regulations require that each contract is treated and recorded separately. These contracts are often combined and paid under the same payroll number by the employer but it is vital for pension purposes that membership is recorded separately for each employment and the Pensions Section informed accordingly.

## 2.4 Re-joining the LGPS after Opting-out – Regulation 13(4) of the Administration Regulations

These employees may re-join the LGPS **by applying in writing to their employer**. The date of entry to the LGPS will be the beginning of the pay period following the date of completion of the Pension Membership Form. Eg if the employee is monthly paid the date of entry will be the 1<sup>st</sup> of the month following the date of application.

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<sup>1</sup> See the decision of the House of Lords in the case of Carmichael and Others v National Power Plc (explained in LGPC Circular 87 <http://www.lge.gov.uk/lge/aio/56226> )

## 2.4 Re-joining the LGPS after Opting-out – Regulation 13(4) of the Administration Regulations

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## 2.5 Members Contribution Rates (Regulation 3 of the Benefits Regulations)

An employer is recommended to establish a policy on how new employees commencing on or after 1 April 2008 will be allocated to a contribution band, and determine in what circumstances the banding decision will be revisited.

In 2008/09 employees will pay contributions according to the table shown below based on their whole-time equivalent pensionable pay. Thus, the rate for a part-time employee will be determined by reference to the whole-time equivalent rate of pay, not on the part-time pay actually earned. An employer will also need to determine how to calculate the whole-time equivalent pensionable pay for:

- sessional workers, which should be reasonably straight forward where the payment for the session is linked to an hourly rate derived from an annual pay figure / spinal column point,
- fee earners, including those where a fee is paid as a separate payment for the role undertaken. For example, if a returning officer receives a fee of £8,000, separate from the salary for their main post, the contribution rate would be determined by reference to the amount of fee paid and so would be 5.5%, and
- employees with variable pensionable payments.

The figures in the table below will increase on 1 April each year by the rise in the Retail Prices Index with the first increase being in April 2009<sup>2</sup>.

The bands in effect from 1 April 2009 are:

<b>Band</b>	<b>Whole-time equivalent pay</b>	<b>Contribution rate</b>
1	Up to £12,600	5.5%
2	More than £12,601 and up to £14,700	5.8%
3	More than £14,701 and up to £18,900	5.9%
4	More than £18,901 and up to £31,500	6.5%
5	More than £31,501 and up to £42,000	6.8%
6	More than £42,001 and up to £78,700	7.2%
7	More than £78,700	7.5%

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<sup>2</sup> In practice, the new table will be applied from the beginning of the first pay period in each year (even though this pay period may not actually start on a 1<sup>st</sup> April e.g. for weekly, fortnightly or 4 weekly paid staff).

***The overall effect, therefore, is as follows:***

- for someone who works, say, 37 hours per week for 52 weeks of the year, the contribution band is assessed by reference to their actual pensionable rate of pay.
- for someone who works, say, 20 hours per week for 52 weeks of the year, the contribution band would be assessed by reference to the WTE equivalent pay i.e. gross up their actual pensionable rate of pay by 37/20.
- for someone who works, say, 37 hours per week but for only 44 weeks of the year, the contribution band is assessed by reference to their actual pensionable rate of pay, not the pay grossed up by 52/44.
- for someone who works, say, 20 hours per week for 44 weeks of the year, the contribution band would be assessed by reference to the WTE equivalent term-time pay i.e. gross up their actual pensionable rate of pay by 37/20 (but do not gross it up further by 52/44).

It should be noted that an employee whose post could be 52 weeks per year but who, for personal reasons (e.g. for work-life balance reasons or to fit in with school holidays), chooses with the agreement of the employer to work less than 52 weeks will not be treated as a term-time employee, but as a part time employee.

An employer may be asked to explain why the contribution band for a part-time employee is determined by reference to their whole-time equivalent rate of pay. Well, take two people on the same scale point, one who is half-time and earning £10,000 with the other being full-time earning £20,000. Both are receiving the same hourly pay rate.

Using the WTE pay rate for both would result in a contribution rate of 6.5% and:

- for one year in the scheme the full-timer would pay  $£20,000 \times 6.5\% = £1,300$  and get a benefit of  $1 \times 1/60^{\text{th}} \times £20,000 = £333.33$
- for one year in the scheme the half-timer would pay  $£10,000 \times 6.5\% = £650$  and get a benefit of  $0.5 \times 1/60^{\text{th}} \times £20,000 = £166.67$

So, the half-timer would pay exactly half the contributions and get exactly half the pension of a full-timer.

If, on the other hand, the contribution rate had been based on actual pay, rather than the WTE pay, the full-timer would have paid 6.5% and the half-timer would have paid 5.5%. Thus:

- for one year in the scheme the full-timer would have paid  $£20,000 \times 6.5\% = £1,300$  and got a benefit of  $1 \times 1/60^{\text{th}} \times £20,000 = £333.33$ , and
- for one year in the scheme the half-timer would have paid  $£10,000 \times 5.5\% = £550$  and got a benefit of  $0.5 \times 1/60^{\text{th}} \times £20,000 = £166.67$

In this latter scenario, the half-timer would have paid much less than half the contributions of a full-timer, but would get a benefit that is exactly half that of a full-timer.

In order to ensure that the payroll system is updated to cater for tiered employee contributions, employers will need to speak to their IT section (if the payroll programmes are maintained “in-house”) or to their payroll software supplier or, if payroll has been outsourced, to their payroll provider. Payroll programmes will need to be amended and tested to ensure the programme can effectively implement the employer’s policy i.e.

- it can allocate staff to the correct band (or bands if, for example, an employee has two jobs, each one of which falls into a different band),
- it can update the bands each April in line with Pensions Increase (i.e. in line with the published RPI figure), and
- it can reallocate employees to the correct band at any time during the year (if the employer’s policy is to do so – see below regarding reallocation).

It will be necessary to ensure that payroll and personnel officers understand the policy in order to ensure its effective implementation and to deal with queries from employees.

The initial attribution to a contribution band must be carried out on a reasonable basis. Employees must be notified of the employer’s decision on the contribution rate they will pay (determined by the pay band they are being placed in) and of their right of appeal against that decision under the scheme’s Internal Dispute Resolution Procedure (IDRP).

Employers will have to notify the Pensions Section of the contribution rate each employee has been allocated to (and of any subsequent change in the rate and the date of the change).

For example the bands could be reassessed:

- at the beginning of each April, or
- at the beginning of the month that a pay award and / or increments are due
- at the date that an employee’s whole-time equivalent pay increases or decreases

It should be noted that it is not appropriate or possible to reassess an employee’s band in consequence of that person going on to half or reduced pay (due to sickness or maternity, paternity, parental leave, adoption leave, etc) as the band has to be assessed by reference to the whole-time equivalent rate of pay for the job.

### **Lower Rate Rights members**

Employers will need to increase the contribution rate of all 5% contributors to 5.25% with effect from 1<sup>st</sup> April 2008, to 5.5% from April 2009, the lower of 6.5% and the figure from the contribution table from April 2010, and the figure from the contribution table from April 2011.

## 2.6 Meaning of Pensionable Pay – Regulation 4 of the Benefits Regulations

*An employee's pensionable pay is the total of –*

- (a) all the salary, wages, fees and other payments paid to him for his own use in respect of his employment; and
- (b) any other payment or benefit specified in his contract of employment as being a pensionable emolument.

*But an employee's pensionable pay 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 his contract of employment; or
- (e) any payment as an inducement not to terminate his employment before the payment is made.

The following regulations of the 1997 Regulations have been retained by virtue of Schedule 1 of the Transitional Provisions Regulations:

- **regulation 13(2)(f)** which provided that the amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision should be non-pensionable, except for some historic cases protected by retained regulations 13(8) and 13(9) of the 1997 Regulations,
- **regulation 13(2)(g)** which provided that, in the case of an employee or former employee of the Commission for the New Towns, any payment made under any scheme relating to the termination of the employment of employees by the Commission in respect of the completion before a specified date of specified functions, should be non-pensionable, and
- **regulation 13(2)(h)** which provided that a payment made in consequence of a School Achievement Award under the scheme established by the Secretary of State known as the School Achievement Award Scheme should be non-pensionable.

No sum may be taken into account in calculating pensionable pay unless income tax liability has been determined on it.

## 2.7 Incorrectly deducted pension contributions – Regulation 45(5), (6) and (7)

The regulations require that interest should be paid on any refund of incorrectly deducted pension contributions (including additional contributions and AVCs) paid back to the employee where the refund is made more than 1 month after the contributions were deducted.

Where the employer refunds incorrectly deducted pension contributions to an employee via the payroll this will have the effect, correctly, of reducing that month's total payment of contributions to the Pension Fund.

If the refund is made more than one month after the contributions were originally (incorrectly) deducted from the employee's pay, please notify the Pensions Section of:

- a) the name and national insurance number of the employee
- b) a monthly breakdown of the employee's incorrectly deducted contributions
- c) the date the refund of the incorrectly deducted contributions was made. It is possible that the refund will be made by the Pensions Section. The Pensions Section will then calculate and pay out of the Pension Fund any interest that is due on the refund to the employee.

## 2.8 Pension Starter Pack

***Avon Pension Fund provides Scheme Employers with a Pension Pack.*** This is designed to advise an employee of his/her rights as regards choice of pension scheme and the right to elect to join or opt out of the Local Government Pension Scheme depending on employee's employer. It includes the following:

- a letter to the employee
- Pension Membership Form – **Form LGPS 1**
- Opting out Form – **Form LGPS 4**
- Expression of Wish Form – **Form LGPS 19**
- Nomination of a cohabiting partner - **Form LGPS 19A**
- a brief guide to the LGPS

An employer must issue the Pension Starter Pack supplied by the Avon Pension Fund, ideally with the letter of appointment, but in any event within one week of the date the employee commences employment.

The Pension Membership Form must be returned to the employer with the employee's original birth certificate or a certified copy. The Form must then be forwarded to the Pensions Section indicating whether or not the date of birth has been verified. If the date of birth is not verified at this time, payment of any future benefits or transfer values will be delayed whilst verification is sought.

**Form LGPS 2** must be completed in all cases of new members and sent to the Pensions Section whether or not the member has completed **Form LGPS 1**. Form LGPS 2 does not need to be completed where the employer has agreed to transfer starter data to the Avon Pension Fund via a spreadsheet or data transfer etc.

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# Employers Guide to the LGPS

## Increasing Benefits

### **3 - INCREASING BENEFITS**

#### **3.1 Power of employing authority to increase total membership of active members - Regulation 12 (Benefit Regulations) - Augmentation**

This regulation allows an employer to grant extra membership to an employee who is an active member of the LGPS, by resolution. The maximum award is a period of 10 years.

The employer must meet the cost of awarding extra membership as outlined in Section 9.

#### **3.2 Power of employing authority to award additional pension - Regulation 13 (Benefit Regulations)**

An employing authority may resolve to award an active member additional pension of not more than £5000 a year payable from the same date as his/her pension is payable under any other provisions of the 2007 Regulations.

The employer will meet the cost of awarding an additional pension by a single, up-front payment calculated in accordance with advice received from the Government Actuary.

#### **3.3 Member's election to purchase additional pension – Regulation 14 (Benefit Regulations)**

An active member may choose to pay additional regular contributions in order to be credited with additional pension, in respect of him / her alone or in respect of him / her and any survivor, of £250 a year or multiples thereof to a maximum of £5000.

The additional regular contributions will be payable over a whole number of years chosen by the member and will be a fixed monthly amount unless amended by the Government Actuary.

The Avon Pension Fund website at [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) contains a calculator via which Members can find out the cost of purchasing additional pension. This is located in the ARC Calculator section of the Active Members Area of the website.

If one of your employees decides to pay these additional contributions the pensions section will advise you of the start date, the amount that has to be paid and the date that the contribution is to cease.

### **3.4 Member's election to pay AVCs – Regulation 15 (Benefit Regulations)**

An active member can elect to pay additional voluntary contributions ("AVCs") or to contribute to a shared cost AVC in addition to any other contributions he / she may be paying under these Regulations and is entitled to additional benefits in accordance with one of the methods permissible under the Finance Act 2004.

"a shared cost AVC" means an arrangement established and maintained by an employer for the purpose of enabling contributions to be paid both by an active member and his/her employer and is only applicable to those employers whose policy decision on discretions includes an SCAVC Scheme. Contributions are required from both the employee and the employer but the contributions from the employer do not have to match those of the employee.

AVC contributions are made via the employer's payroll thereby obtaining immediate tax relief. The contributions made by the employee and the employer, where a shared cost AVC arrangement exists, must be sent by the employer directly to Friends Provident the current in-house AVC provider for the Fund.

### **3.5 Buying Extra Membership (Added years) – Regulations 55 – 57 of the 1997 Regulations**

***The facility for LGPS Members to start buying extra Membership is no longer available after 31 March 2008.*** Members were able to purchase extra membership by paying additional contributions. The additional contributions were payable by an additional percentage paid in the same way as basic contributions.

Members who elected for this method will still pay an additional percentage up to a given date between the ages of 60 and 65. If you have any members paying this additional percentage and you do not know the date that this contribution is due to cease.

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# Employers Guide to the LGPS

## Opting Out

## 5 - OPTING-OUT

### 5.1 Action to be taken when an existing employee wishes to opt out of the LGPS:

If an employee decides to opt out of the LGPS he/she must complete **Form LGPS 4**.

#### A. the option is made within 3 months of joining the LGPS

- a) If the employee opts out within 3 months of joining the LGPS, the employer must cease deduction of pension contributions from the commencement of the next pay period or the date of opting-out specified by the employee. Contracted-in National Insurance contributions should then commence;

The pension contributions paid by both the employee and the employer must be refunded through the employer's payroll and the employee's National Insurance contributions and tax adjusted accordingly. It will be necessary to liaise with HM Revenue & Customs where a National Insurance adjustment stretches into two tax years;

- b) The employer **must** notify the Pensions Section using **Form LGPS 15** that the employee has opted out of the LGPS and has had a refund of contributions made to him/her through the payroll. A copy of the employee's option to cease membership of the LGPS (**Form LGPS 4**) should be attached to **Form LGPS 15** when it is sent to the Pensions Section;

#### B. the option is made 3 months or more after joining the LGPS

- a) If the employee opts out 3 months or more after joining the LGPS no refund is due and the employer must cease deduction of pension contributions from:
  - (i) the start of the new pay period, or
  - (ii) a later date that the employee may specify.
- b) The employer must then notify the Pensions Section that the employee has opted out of the LGPS using **Form LGPS 15** to which should be attached the employee's option to cease membership of the LGPS (**Form LGPS 4**).

It is important that employers retain a copy of the employee's option to cease Membership of the LGPS (**Form LGPS 4**) until the employee's 75<sup>th</sup> birthday as documentary evidence against the employee who several months or even years later claims he/she did not opt out of the LGPS. If the Scheme Employer ceases to exist before the employee's 75<sup>th</sup> birthday a copy of Form LGPS 4 must be forwarded to Avon Pension Fund.

**If an employee (who opted out of the LGPS and was awarded deferred benefits):**

- a) **dies in service, or**
- b) **is dismissed on the grounds of permanent ill health, or**
- c) **is dismissed due to redundancy / efficiency and is over the age of fifty-five\***

**please contact the Pensions Section for advice.**

**\*Note: In the case of an employee who was a member of the LGPS on 31 March 2008 and is dismissed as in c) above before 31 March 2010 the age of 55 is substituted by the age of 50.**

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# Employers Guide to the LGPS

## Leaving Employment with No Entitlement to the Immediate Payment of Benefits

## **6. LEAVING EMPLOYMENT WITH NO IMMEDIATE ENTITLEMENT TO THE PAYMENT OF BENEFITS**

### **6.1 Leaving Employment**

The employer **must** complete **Form LGPS 15** in all cases, together with other forms/decisions as required and then send all forms to the Pensions Section. If these forms/decisions are not completed and sent to the Pensions Section there will be a delay in notifying the employee of his/her pension rights.

### **6.2**

An employee who leaves and is less than 65 year's of age, with more than 3 month's or less than 3 month's membership but has transferred in pension rights from another pension scheme, and has no entitlement to the immediate payment of benefits is entitled to deferred benefits.

The former employee can request the early release of the deferred benefits under **Regulation 30 or 31** the 2007 Benefits Regulations.

#### **Regulation 30 – Request for the early payment of pension**

Under this regulation and previous regulations a former employee with deferred benefits who has reached the age of 55 may choose to receive payment of them immediately. However, if the member is aged between 55 and 60 years of age payment of the benefits cannot be made without the consent of the former employer.

The minimum age for claiming the early payment of benefits under Regulation 30 is 55 for members who join the scheme from 1<sup>st</sup> April 2008. From 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2010 the minimum age will be 50 for those employees who were members of the scheme on 31<sup>st</sup> March 2008.

The minimum age for those who left the 1997 Scheme with a deferred benefit entitlement before 6 April 2006 to claim early payment of benefits will remain age 50.

The minimum age for those who left the 1997 Scheme with a deferred benefit entitlement between 6 April 2006 and 31 March 2008 to claim early payment of benefits will be age 50 if they were a Member of the Scheme on 5 April 2006, otherwise it will be age 55 from 1 April 2010.

If the former employer consents to the early payment, the benefits must be reduced by a percentage in accordance with guidance issued by the Government Actuary. However the employer may determine on compassionate grounds that the reduction should not apply.

Each employer should have a policy in place to consider any requests for the early payment of pension benefits. If an employer determines that the benefits are to be released with no reduction there will be a cost to the employer.

## **Regulation 31 – Early payment of pension: Ill-health**

A deferred member may apply for early payment of their deferred benefits if they become permanently incapable of performing the duties of their former post by reason of ill health or infirmity of mind or body. The application is made to their former employer. The medical certificate must be obtained from an independent registered medical practitioner qualified in occupational health medicine who has been approved by the Pension Fund.

There are 4 categories of deferred member

- a) employees who ceased membership prior to 1 April 1998
- b) employees who ceased membership between 1 April 1998 and 31 March 2008, both dates inclusive
- c) employees who ceased membership on or after 1 April 2008
- d) Councillors with deferred benefits

The rules governing each are slightly different.

### **a) Employees who ceased membership prior to 1 April 1998 – Form LGPS 18A**

In these cases, the Independent Registered Medical Practitioner (IRMP) has to certify whether, in his / her opinion, the applicant is permanently incapable because of ill health or infirmity of mind or body of discharging efficiently the duties of their former employment and, if so:

- the date from which the applicant became permanently incapable (based on evidence that was discoverable at the time). This date is needed because the deferred pension is to be paid from the date on which the applicant became permanently incapable, which might be earlier than the date the deferred member submitted his / her application for early payment
- whether the applicant has a life expectancy of less than 1 year
- whether, where the applicant is under 55, he / she is permanently incapable by reason of disability caused by physical or mental infirmity of engaging in any regular full-time employment and, if so, the date from which the applicant became so incapable. This information is required to determine whether, and if so the date from which, Pensions Increase is to be applied.

**b) Employees who ceased membership between 1 April 1998 and 31 March 2008 (both dates inclusive) –  
Form 18B and any councillor with a deferred pension – Form LGPS 18D**

In these cases, the IRMP has to certify whether, in his / her opinion, the applicant is permanently incapable because of ill health or infirmity of mind or body of discharging efficiently the duties of their former post and, if so:

- whether the applicant has a life expectancy of less than 1 year
- whether, where the applicant is under 55, he / she is permanently incapable by reason of disability caused by physical or mental infirmity of engaging in any regular full-time employment and, if so, the date from which the applicant became so incapable. This information is required to determine whether, and if so the date from which, Pensions Increase is to be applied.

**c) Employees who ceased membership on or after 1 April 2008 –  
Form LGPS 18C**

In these cases, the IRMP has to certify whether, in his / her opinion, the applicant is permanently incapable because of ill health or infirmity of mind or body of discharging efficiently the duties of their former post and, if so:

- whether the ill health or infirmity is likely to prevent the applicant from obtaining other gainful employment, whether in local government or elsewhere, within 3 years of the date of application or, if earlier, before age 65.
- whether, where the applicant is under 55, he / she is permanently incapable by reason of disability caused by physical or mental infirmity of engaging in any regular full-time employment and, if so, the date from which the applicant became so incapable. This information is required to determine whether, and if so the date from which, Pensions Increase is to be applied under the Pensions Increase Act 1971.

## 6.3 Dismissals

### (i) Recovery of monetary obligation or financial loss – Administration Regulations 73 and 74

The Scheme rules allow an employer to recover a monetary obligation from an employee's pension benefits when:

- employment has been terminated as a consequence of a criminal, negligent or fraudulent act or omission by the employee in connection with his employment; and
- the ex-employee has incurred a **monetary obligation** to his former employer **as a consequence of his actions**.

To trigger the process the employer must give the member or former member at least three months' warning of its intention to recover and a statement showing the calculation of the amount to be recovered and the effect it will have on the pension benefits. The administering authority with the actuary to the Pension Fund will be able to assist in this calculation.

If the calculation is disputed no recovery action can take place until the matter has been referred to a competent court or arbitrator to decide.

In cases where no monetary obligation is incurred but there is a financial loss as a result of an offence involving fraud or grave misconduct in connection with the employment the employer may apply to the administering authority for reimbursement.

### (ii) Forfeiture certificates – Administration Regulation 72

In **exceptional** cases where employment is terminated as a result of an employee being convicted of an offence so serious that it:

- was gravely injurious to the State, or
- would lead to a serious loss of confidence in the public service

the employer may apply to the Secretary of State for a certificate to the effect that the member's rights under the Scheme are forfeited.

An application must be made within three months from the date of conviction and a copy sent to both the convicted person and the administering authority.

### (iii) Other dismissals

If an employee is dismissed or resigns due to some other circumstances involving misconduct, e.g. bad timekeeping, persistent absence, poor quality work, or an offence entirely unconnected with his work for his employer, (this list is not exhaustive), then the provisions mentioned above will NOT apply.

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# Employers Guide to the LGPS

## Retirements

## **7. LEAVING EMPLOYMENT WITH AN IMMEDIATE ENTITLEMENT TO THE PAYMENT OF BENEFITS**

### **7.1 General**

Please see Section 6.2 for advice on leaving dates. When an employee leaves in the circumstances described below there is an entitlement to the immediate payment of benefits. If he/she:

- a) is aged 65 or more having completed 3 month's membership or has less than 3 month's membership but has brought in a transfer from another pension scheme (see Section 7.2), or
- b) is being dismissed on the grounds of permanent ill-health having completed 3 month's membership or has less than 3 month's membership but has brought in a transfer from another pension scheme. Age is irrelevant (see Section 7.3), or
- c) is aged 55\* or more having completed 3 month's membership or has less than 3 month's membership but has brought in a transfer from another pension scheme and is being dismissed by reason of redundancy or on the grounds of business efficiency, (see Section 7.4), or
- d) is aged 55\* or more having completed 3 month's membership or has less than 3 month's membership but has brought in a transfer from another pension scheme and is being allowed by the employer to take flexible retirement (see Section 7.5),
- e) or is aged 55\* or more having completed 3 month's membership or has less than 3 month's membership but has brought in a transfer from another pension scheme and the employer has agreed to the early payment benefits following a request from the employee (see Section 7.6)

**\*Note: In the case of an employee who was a member on 31 March 2008 and who is dismissed as in c) above or makes a request as in d) or e) above before 31 March 2010 the age of 55 is substituted by the age of 50.**

### **7.2 Leaving at age 65 or more having completed 3 month's membership or has less than 3 month's membership but has brought in a transfer from another pension scheme**

Please ask the employee to complete **Form LGPS 20** and return it to you. Complete **Forms LGPS 15** and send them with **Form LGPS 20** to the Pensions Section.

If an employee decides to leave at the age of 60 or between the ages of 60 and 65, he/she will be given the opportunity of either choosing reduced benefits, payable immediately, or leaving payment until a later date but not later than age 75.

### **7.3 Dismissed by reason of redundancy or on the grounds of business efficiency – Regulation 19 of the Benefits Regulations**

Immediate unreduced benefits will be paid to an employee aged 55 years or over and who has 3 or more month's membership, or has less than 3 month's membership but has transferred rights from another pension scheme. Providing the employer certifies that cessation of employment is by reason of redundancy or on the grounds of business efficiency.

The minimum age for the early payment of benefits by reason of redundancy or on the grounds of business efficiency is 55 for members who join the scheme from 1<sup>st</sup> April 2008. From 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2010 the minimum age will be 50 for those who were members of the scheme on 31<sup>st</sup> March 2008.

Employees with less than 3 months membership will be entitled to receive a refund of contributions with interest or a transfer to another approved pension scheme.

Please complete **Form LGPS 15** and attach a copy of the termination letter sent to the employee. Give the employee **Form LGPS 20** to complete and return to you. All completed forms must then be sent to the Pensions Section.

Employees dismissed on redundancy or on the grounds of business efficiency who are under the age 55 with 3 or more month's membership, or less than 3 month's membership but has transferred rights from another pension scheme are entitled to deferred benefits or a transfer to another pension arrangement (see Section 6.4)

The Benefits Regulations do not define "on the grounds of business efficiency".

### **7.4 Flexible Retirement – Regulation 18 of the Benefit Regulations**

An employee who has attained the age of 55 and with his/her employer's consent, reduces the hours he/she works, or the grade in which he/she is employed, may elect in writing to the Avon Pension Fund for such benefits, with his/her employer's consent, to be paid to him/her notwithstanding that he/she has not retired from that employment.

The minimum age for requesting flexible retirement is 55 for members who join the scheme from 1<sup>st</sup> April 2008. From 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2010 the minimum age will be 50 for those who were members of the scheme on 31<sup>st</sup> March 2008.

If the payment of benefits referred to in the last paragraph takes effect before the member's 65th birthday, the benefits payable are reduced in accordance with guidance issued by the Government Actuary.

Please complete **Form LGPS 15** and attach a copy of the employer's consent to the flexible retirement. Give the employee **Form LGPS 20** to complete and return to you. All completed forms must then be sent to the Pensions Section.

## 7.5 Request for the early payment of benefits on Leaving Employment - Regulation 30 of the Benefit Regulations

When an employee aged 55 and over but less than age 60 leaves an employment with deferred benefits that employee has the right to request payment of his/her benefits subject to the employer agreeing to the request.

The minimum age for requesting the early payment of benefits is 55 for members who join the scheme from 1<sup>st</sup> April 2008. From 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2010 the minimum age will be 50 for those who were members of the scheme on 31<sup>st</sup> March 2008.

Please complete **Form LGPS 15** attach a copy of the employer's consent to the early payment of the employee's benefits. Give the employee **Form LGPS 20** to complete and return to you. All completed forms must then be sent to the Pensions Section.

## 7.6 Ill-Health Retirement – Regulation 20 of the Benefit Regulations

Before making a determination under this regulation, an employer must obtain a certificate from an independent registered medical practitioner **qualified in occupational health medicine** as to whether in his/her opinion the employee is **permanently incapable** of discharging efficiently the duties of his/her current employment because of ill-health or infirmity of mind or body and, if so, whether as a result of that condition he/she has a reduced likelihood of obtaining any **gainful employment** before reaching his/her normal retirement age.

"**qualified in occupational health medicine**" means—

- (a) holding a diploma in occupational medicine (D Occ Med) or an equivalent qualification issued by a competent authority in an EEA State; and for the purposes of this definition, "competent authority" has the meaning given by the General and Specialist Medical Practice (Education, Training and Qualification) Order 2003; or
- (b) being an Associate, a Member or a Fellow of the Faculty of Occupational Medicine or an equivalent institution of an EEA State.

"**permanently incapable**" means that the member will, more likely than not, be incapable until, at the earliest, his 65th birthday;

"**gainful employment**" means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

The scheme provides for three tiers of ill-health retirements where an employee has at least three months total membership or has less than three month's membership but has transferred rights from another pension scheme.

A member who has less than 3 month's membership in the LGPS and who has not transferred pension rights from another scheme into the LGPS is entitled to a refund of pension contributions less the statutory deductions. If the member wishes to transfer the accrued pension rights from the LGPS to another scheme a refund cannot be made.

### **7.6.1 Tier 1**

If a member's employment is terminated by an employer because he/she is permanently incapable of discharging efficiently the duties of his/her current employment and the employer has determined that there is no reasonable prospect of the employee obtaining gainful employment before normal retirement age.

An enhancement is made to the member's accrued benefits by adding to his/her total membership at leaving date the whole of the period between that date and the age of 65.

### **7.6.2 Tier 2**

If a member's employment is terminated by an employer because he/she is permanently incapable of discharging efficiently the duties of his/her current employment and the employer has determined that, although the employee cannot obtain gainful employment within three years of leaving employment, it is likely that he/she will be able to obtain gainful employment before normal retirement age.

An enhancement is made to the member's accrued benefits by adding to his/her total membership at leaving date 25% of the period between that date and the age of 65.

### **7.6.3 Tier 3**

If a member's employment is terminated by an employer because he/she is permanently incapable of discharging efficiently the duties of his/her current employment and the employer has determined that the employee is likely to obtain gainful employment within three years of leaving employment no enhancement will be made to the member's accrued benefits at leaving date.

An employee who leaves employment as a 3<sup>rd</sup> tier member will be entitled to their pension for such time (not exceeding three year's) as long as the member does not obtain gainful employment, or unless suspended following a review. If the date of the 18 month review or the end of the three year period occurs after the age of 65 the pension cannot be stopped.

#### **1. Gainful employment**

The 3<sup>rd</sup> tier member is required to notify the employer who awarded the 3<sup>rd</sup> tier benefits when employment is found providing details, including pay, working hours and length of contract of that employment, If the employer decides that the employment is "gainful employment" ie paid employment for not less than 30 hours in each week for a period of not less than 12 months the employer must then advise the Avon Pension Fund to stop payment of the pension.

If pension payments have continued when gainful employment has been found, the employer can advise the Avon Pension Fund to recover any overpayment from the member.

#### **2. The review**

The previous employer is required to undertake a review when payments have been made for 18 months if payments are still continuing at that point.

At the review, the previous employer must ask the 3<sup>rd</sup> tier member if their circumstances had changed seeking details of working hours, pay and length of contract. If the employer decides, from the information provided that gainful employment had been obtained, the Fund must be advised that payment of the pension must be stopped.

### **3. Seeking a further opinion from an Independent Occupational Health Practitioner (IOHP)**

If, as a result of the employer's enquiry, it is found that a 3<sup>rd</sup> tier member had not found gainful employment, the employer must seek a further opinion from an IOHP (this can be the same IOHP who made the judgement for the 3<sup>rd</sup> tier decision).

The employer will have powers to determine that a 3<sup>rd</sup> tier member should become a 2<sup>nd</sup> tier member and the date of further determination will decide the date from which the uplift to 2<sup>nd</sup> tier will be put into payment.

Please complete **Form LGPS 15** indicating which tier of ill-health applies to the employee and attach a copy of the dismissal letter sent to the employee together with a copy of the ill-health certificate (**Form LGPS 17A**). Give the employee **Form LGPS 20** to complete and return to you. All forms must then be sent the Pensions Section together with **Form LGPS 17**.

**\*\*\*An ill-health retirement will NOT be processed without Form LGPS 17A and a copy of the dismissal letter to the employee\*\*\***

### **7.7 Estimates of Benefits**

Where employees who are considering retirement require an estimate of the benefits they will receive, or where such an estimate is required in connection with a possible ill health retirement or redundancy / efficiency, this will be supplied on request from the employer. Please complete **Form LGPS 23** and forward it to the Pensions Section. A reply will be sent direct to the employee at their home address or in a sealed envelope to the employer as requested.

**Care must be taken when advising the Pensions Section of the final pay that is to be used in the calculation of the estimate.**

There has been a case with the Pensions Ombudsman where a local authority calculated an employee's final pay for an estimate and when the employee accepted the offer of early retirement the final pay calculation was less. The Ombudsman ruled that the employer had to calculate a lump sum compensation payment based on the difference in the benefits offered in the estimate and the benefits actually paid.

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# Employers Guide to the LGPS

## Death of an Employee

## **8 - DEATH OF AN EMPLOYEE**

### **8.1 Death of an Employee**

**Form LGPS 15 must** be completed and sent to the Pensions Section, **as soon as possible**, together with a letter giving the name of any surviving spouse/partner or civil partner and/or next of kin. If there are any difficulties in supplying this information please contact the Pensions Section immediately.

The Pensions Section will communicate with the next of kin and request to see the Death Certificate and, if applicable, copies of the spouse's / civil partners Birth and Marriage Certificates, and any children's Birth Certificates that may be required before payment of any pension can be made.

### **8.2 Death Grant – Benefits Regulation 23**

A lump sum death grant of three times final pay is payable no matter how long the employee has been a member of the LGPS. For part-time employees, the final pay on which the Death Grant is calculated is not increased to its whole-time equivalent rate.

The Avon Pension Fund has the absolute discretion to pay the lump sum death grant to the person named on the member's Expression of Wish form or any person who appears, at any time, to have been the deceased's relative or dependant. If any part of the death grant has not been paid by the second anniversary of the member's death, it must be paid to the member's personal representatives.

Expression of Wish forms are contained in the Information Packs given to **all** new employees. Forms are also available to download from the Avon Pension Fund website at [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) and from the Pensions Section. Completed forms should be returned directly to the Pensions Section.

### **8.3 Survivor's Pension – Benefits Regulation 24**

If a member dies leaving a surviving spouse, nominated cohabiting partner or civil partner, that person is entitled to a pension.

For a legally married spouse, the pension is calculated by multiplying  $1/160^{\text{th}}$  of the deceased member's final pay for each year of total membership to date of death plus potential membership from date of death to the age of 65.

For a civil partner and a nominated cohabiting partner, the pension is calculated using the deceased scheme member's total membership from 6th April 1988 plus potential membership from date of death to the age of 65.

## 8.4 Children's Pension – Benefits Regulations 26 - 28

### Eligible children

The Regulations state that Eligible Children are the Member's children; advice received from CLG is that Eligible Children can also include children dependent on the Member such as a child of a cohabiting partner from a previous relationship. The Regulations state that they must, at the date of the Member's death:

- be under 18 and be wholly or mainly dependant on you, or
- be aged 18 or over and under 23, be dependent on you, and be in full-time education or undertaking vocational training (although a dependant child who commences full-time education or vocational training after the date of your death may be treated as an eligible child up to age 23), or
- in some cases, a dependent child of any age who is disabled may be classed as an eligible child.

In all cases, the children must have been born before or within a year of your death.

Pensions will also be payable in respect of all eligible children under the age of 18 years in all cases. They can be paid beyond the age of 18 and over, if the eligible child has been:

- a) engaged continuously in full-time education, or
- b) in training for a trade, profession or vocation, or
- c) is physically or mentally incapacitated and became so within (a) or (b) above.

The Local Government Pension Regulations define an "eligible child" to be:-

- (a) the deceased's legitimate or adopted child, or
- (b) a child who was wholly or mainly dependent on the deceased at the time of his death or, where the child is born after the member's death, who would have been so dependent if he had been born before or on the date of the deceased member's death,

but does not include a child who was born on or after the first anniversary of the date of the deceased's death."

Children's pensions, except in case (c) above, will cease at age 23.

The pension will be calculated as follows:

**One child:**  $1/320^{\text{th}}$  of the deceased member's final pay for each year of total membership to date of death plus potential membership from date of death to the age of 65.

**2 or more:**  $1/160^{\text{th}}$  of the deceased member's final pay for each year of total membership to date of death plus potential membership from date of death to the age of 65 **shared equally between the children.**

If no widow's, widower's, civil partner's or nominated cohabiting partner's pension is payable, the child's pension is payable at an enhanced rate of  $1/240^{\text{th}}$  where there is only one child's pension payable or  $1/120^{\text{th}}$  where there are two or more, again shared equally between the children.

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# Employers Guide to the LGPS

## Calculation of Final Pay

## 9 – CALCULATION OF FINAL PAY

### 9.1 Final Pay

An employee's final pay will **normally** be the pensionable earnings of the final year of service ending with the day on which employment ceases. **See Example 1.** The Regulations provide that the best of the previous two years' pay can be substituted for the final year if the final year is not the best. **See Example 2.**

### 9.2 Certificate of Protection of Pension Benefits – 1997 Regulations

If the employee has been issued with a Certificate of Protection of Pension Benefits prior to 1 April 2008 the final pay will be chosen by the employee and can be any one of the last five years ending with the day on which employment ceases or an average of any three consecutive years of the last thirteen ending on the day on which employment ceases.

In these cases the Pensions Section requires thirteen separate final pays. EG employee leaves on 7 April 2009. The final pay periods are 8 April 2008 to 7 April 2009, 8 April 2007 to 7 April 2008, 8 April 2006 to 7 April 2007 and so on up to a maximum of thirteen years.

### 9.3 Reductions to Pay – 2007 Benefits Regulation 10

If the employee's pensionable pay is reduced on or after 1 April 2008 (CLG has advised that this includes cases where a member's salary is frozen) because he/she has chosen to continue in local government employment at a lower grade or with less responsibility than his previous post he/she may choose to have his final pay calculated as the average of his annual pensionable pay in any three consecutive years ending 31<sup>st</sup> March within the period of 10 years ending with the last day he was an active member.

An employee who has been allowed to take flexible retirement may **NOT** use the incidence of flexible retirement to choose a final pay as in the previous paragraph.

In these cases the Pensions Section requires ten separate final pays. E.g. employee leaves on 7 June 2009. The final pay periods are 1 April 2008 to 31 March 2009, 1 April 2007 to 31 March 2008, 1 April 2006 to 31 March 2007 and so on up to a maximum of ten years.

### 9.4 Part-time and Term-time Employees

The final year's pay for part-time and term-time staff should be calculated by reference to the pensionable earnings of an equivalent full-time post. Please also state the actual part-time / term-time pensionable earnings in these cases. **See Example 4.**

## **9.5 Period of No Pay – No Contributions Paid**

If the employee had had a period of leave without pay, maternity / adoption leave or had been on strike and had not paid any additional contributions to prevent the period being treated as non-pensionable service, the final pay period would be the last 365 days that could be treated as pensionable. **See Example 5.**

## **9.6 Maternity / Paternity / Adoption Leave**

If the period of final pay contains a period of maternity / paternity / adoption leave and the employee has paid contributions during the maternity leave any reduction in remuneration is ignored and the final year's pay must be calculated as if the employee had been in receipt of full pay.

## **9.7 Enhancements / Emoluments**

If the employee is paid enhancements / emoluments (such as for night or weekend duty) the total payments for the enhancements due in the final pay period must be added to the whole-time equivalent pay calculated for the final pay period.

## **9.8 Honorariums**

If an employee is paid an honorarium in the final year and contributions have been deducted from it the honorarium must be apportioned if necessary. **See Examples 1 & 2.**

## **9.9 Item of Pay Paid in Arrears**

If an employee is paid an item of pay in arrears, for example, additional payment for weekend work or a standby allowance, care has to be taken so that only the payments relative to the period of the final year's pay are included. **See Example 3.**

## **9.10 Payment in Lieu**

Any payment in lieu of holidays or notice must not be included in the calculation of final pay as pension contributions are not due on these payments.

## **9.11 Sickness Absence**

If the employee has been sick during the final year the reduction in pay or no pay period is ignored and the final year's pay must be calculated as if the employee had not been sick even if there has been a period of no pay due to sick pay running out. This must include allowance for bonus payments that would have been earned had the employee not been sick.

### Example 1

Employee leaves/retires/dies on 6 October 2008 therefore the final year's pay is the pensionable pay in the period 7 October 2007 to 6 October 2008. Annual Salary from 1 April 2007 was £12,345.00 and £12,750.00 from 1 April 2008. The final years pay is calculated as follows:

7.10.2007 to 31.3.2008 at £12,345.00 pa (£1,028.75 per month) =

$$5 \text{ months} + 25/31^{\text{st}} \times 1,028.75 = \mathbf{5,973.39}$$

7.10.2007 to 31.3.2008 at £12,345.00 pa (£1,028.75 per month) =

$$5 \text{ months} + 25/31^{\text{st}} \times 1,028.75 = \mathbf{5,973.39}$$

1.4.2008 to 6.10.2008 at £12,750.00 pa (£1,062.50 per month) =

$$6 \text{ months} + 6/31^{\text{st}} \times 1062.50 = \mathbf{\underline{6,580.65}}$$

$$\mathbf{\text{Final Year's Pay} = \underline{\underline{£12,554.04}}}$$

### **Example 2 (with Honorarium)**

Employee leaves / retires / dies as in Example 1. However this time the employee received an honorarium of £1,200 on which contributions were paid in December 2007 for additional work during the period 1 December 2006 to 30 November 2007.

The final year's pay in Example 1 would need to be increased but the full amount of the honorarium would **not** be included in the final pay calculation, as the payment is for only part of the period included in the calculation. Eg. 7 October 2007 to 30 November 2007, therefore, the final pay figure of £12,554.04 would need to be increased by:

$$1 \text{ month} + 25/31^{\text{st}} \times £100 \text{ (1/12}^{\text{th}} \text{ of } £1,200) = \mathbf{£180.65}$$

**Total of the final pay for the period 7 October 2007 to 6 October 2008 =**

$$\mathbf{£12,554.04 + £180.65 = \underline{£12734.69}}$$

However, because the majority of the period in respect of the honorarium falls outside of the period used to calculate the final pay it is possible that the preceding year might be the best. The year in question would be 7 October 2006 to 6 October 2007. Salary from 1 April 2006 is £11,985.00 and £12,345.00 from 1 April 2007. Final year's pay calculated as follows:

7.10.2006 to 31.3.2007 at £11,985.00 pa (998.75 per month) =

$$5 \text{ months} + 25/31^{\text{st}} \times 998.75 = \mathbf{£5,799.19}$$

1.4.2007 to 6.10.2007 at £12,345.00 pa (1,028.75 per month) =

$$6 \text{ months} + 6/31^{\text{st}} \times 1,028.75 = \mathbf{\underline{£6,371.61}}$$

**Final Year's Pay = £12,170.80**

This figure is less than £12,734.69 but the honorarium has to be included for the period 1 December 2006 to 6 October 2007 calculated as follows:

$$10 \text{ months} + 6/31^{\text{st}} \times £100 = \mathbf{£1019.35}$$

**Total of the final pay for the period 7 October 2006 to 6 October 2007 =**

$$\mathbf{£12,170.80 + £1019.35 = \underline{£13,190.15}}$$

Therefore the best final years pay is £13,190.15

### **Example 3 – Item of Pay Paid in Arrears**

If the employee in Example 1 was paid an additional payment of £50 per month in arrear for being called out when required and during the final year was called out in September, October, November, January, February and April the final year's pay would be increased by **£250** only. The payment made in respect of September would have been paid in October but would be ignored because it relates to a period (ie September) outside of the final year.

#### Example 4 – Part-Time / Term-Time Employee

A part-time member ceases employment on 30 September 2008. The contractual hours of employment and salary rates during the last year of service are set out below.

Period	Hours	Part-time Salary		Full-time Salary Annual
		Annual	Monthly	
1.10.2007 to 20.10.2007	*25/37	5,175.00	431.25	7,659
21.10.2007 to 31.1.2008	*30/37	6,448.38	537.37	7,953
1.2.2008 to 31.3.2008	30/37	6,594.32	549.53	8,133
1.4.2008 to 30.9.2008	*25/37	5,704.05	475.34	8,442

**Note:** \* It is important that the Pensions Section is informed of each revision in the contract of employment.

#### Pensionable Remuneration (Full -Time Equivalent) 1.10.2007 to 30.9.2008

		£
1.10.2007 to 20.10.2007	$20/31 \times 1/12 \times £7,659 =$	411.77
21.10.2007 to 31.1.2008	$4 \frac{11}{31} \times 1/12 \times £7,953 =$	2,886.17
1.2.2008 to 31.3.2008	$2 \times 1/12 \times £8,133 =$	1,355.50
1.4.2008 to 30.9.2008	$6 \times 1/12 \times £8,442 =$	<u>4,221.00</u>
	<b>TOTAL</b>	<b><u>8,874.44</u></b>

#### Pensionable Remuneration (Actual Part-time Pay) 1.10.2007 to 30.9.2008

This figure is only needed when a part-time/term-time employee dies in employment. It is used to calculate the Death Grant

		£
1.10.2007 to 20.10.2007	$20/31 \times £431.25 =$	278.23
21.10.2007 to 31.1.2008	$4 \frac{11}{31} \times £537.37 =$	2,340.16
1.2.2008 to 31.3.2008	$2 \times £549.53 =$	1,099.06
1.4.2008 to 30.9.2008	$6 \times £475.34 =$	<u>2,852.04</u>
	<b>TOTAL</b>	<b><u>6,569.49</u></b>

**Example 5 – Approved period of no pay in the final pay period and the employee has elected not to pay contributions (does not include maternity/adoption leave periods)**

An employee leaves on the 6 October 2008. The final pay period is 7 October 2007 to 6 October 2008. However, the employee was granted leave without pay from 1 April 2008 to 31 May 2008. Contributions were paid for the month of April 2008 as the pension regulations require that contributions must be paid for the first 30 days of an approved period of no pay. The employee elected not to pay contributions for the month of May 2008.

Annual Salary from 1 April 2007 was £12,345.00 and £12,750.00 from 1 April 2008. The total pay figure for the period 7 October 2007 to 6 October 2008 is calculated as follows:

7.10.2007 to 31.3.2008 at £12,345.00 pa (£1,028.75 per month) =

$$5 \text{ months} + 25/31^{\text{st}} \times 1,028.75 = \mathbf{5,973.39}$$

1. 4.2008 to 30.4.2008 at £12,750.00 pa (£1,062.50 per month) (no pay received but contributions paid for the first 30 days of the absence) =

$$1 \text{ month} \times 1,062.75 = \mathbf{1,062.75}$$

1.5.2007 to 31.5.2008 (no pay received and no contributions paid) = **0.00**

1.6.2008 to 6.10.2008 at £12,750.00 pa (£1,062.50 per month) =

$$4 \text{ months} + 6/31^{\text{st}} \times 1062.50 = \mathbf{4,455.65}$$

$$\text{Total Year's Pay} = \mathbf{\underline{\underline{£11,491.54}}}$$

However, the total pay figure of £11,491.54 is only in respect of 334 days as the period from 1.5.2008 to 31.5.2008 (31 days) does not count as no contributions were paid for this period.

Therefore, the final pay figure for the period 7 October 2007 to 6 October 2008 is calculated as follows:

Total Year's Pay x 365 divided by number of days used in the calculation period =  
£11491.54 x 365 divided by 334 = **£12,558.12**

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# Employers Guide to the LGPS

## Councillors Pensions

## 13 - COUNCILLORS' PENSIONS

### The Local Government Pension Scheme and Discretionary Compensation (Local Authority Members in England) Regulations 2003 [SI 2003/1022] and the Local Authorities (Members' Allowances) (England) Regulations 2003 [SI 2003/1021]

The above regulations set out the pension provisions that relate to elected members (including mayors<sup>1</sup>) in England and the role the independent remuneration panel plays in the process of deciding who may be eligible for membership of the scheme. These Regulations do not apply to Parish Council Members.

#### 13.1 Membership of the LGPS

- a) the independent remuneration panel is able to make recommendations as to which councillors of an English district council, county council or London borough council (who are under age 75) should be entitled to join the LGPS and whether the basic allowance or special responsibility allowance, or both, should be made pensionable;
- b) a council's scheme of allowances must set out which councillors are to be entitled to join 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 councillors 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;
- c) an eligible councillor is entitled to join the Scheme at any age prior to the age of 75 and remain as an active member in the LGPS until the age of 75;
- d) where a council's scheme offers membership of the LGPS to a councillor it will be the responsibility of that councillor to decide whether or not to elect to join the LGPS;
- e) an eligible councillor's contribution rate will be 6% of pensionable allowances; and the date of entry to the LGPS will be from the 1<sup>st</sup> of month following the date of councillor's election.
- f) A councillor who joins the LGPS can decide to opt-out (see Section 5).

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<sup>1</sup> By virtue of section 18(6) of the Local Government and Housing Act 1989 and regulation 2 of the Local Authorities (Elected Mayor and Mayor's Assistant) (England) Regulations 2002 [SI 2002/975] an elected mayor is to be treated as a councillor of an authority.

## 13.2 Councillors who are members of the LGPS

are:

- a) entitled to benefits provided they have 3 month's membership or have attained the normal retirement age for councillors (age 65);
- b) entitled to retire voluntarily on or after age 60 and before age 75 (but with an actuarial reduction if the member does not satisfy the 85 year rule at the date of retirement, unless the council agrees to waive the reduction on compassionate grounds);
- c) entitled, if the council gives its permission, to receive retirement benefits on or after age 50 and before age 60 (with an actuarial reduction if the 85 year rule is not satisfied, unless the council agrees to waive the reduction on compassionate grounds);
- d) entitled to ill health benefits if they cease to be a councillor by reason of being permanently incapable (until age 70) of discharging efficiently the duties of that office because of ill-health or infirmity of mind or body; and
- e) covered for spouse's and children's benefits, calculated by reference to career average pay rather than final pay;
- f) **not** entitled to the redundancy / efficiency early retirement provisions of the Scheme.

See Section 6.3 for councillors who leave with less than 3 month's membership.

## 13.3 Deferred Benefits

Deferred benefits are awarded when a councillor leaves the LGPS without an immediate entitlement to the payment of benefits with 3 months or more. These benefits are payable without reduction from age 65 or from any earlier date on or after age 65 as the councillor elects when he / she would have satisfied the 85 year rule (see Section 9).

Alternatively, the deferred benefits can be paid;

- at an actuarially reduced rate<sup>2</sup> on or after age 65 and before age 75 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 60 (but with an actuarial reduction<sup>3</sup> 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.

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<sup>2</sup> Unless the council agrees to waive the reduction on compassionate grounds

<sup>3</sup> Unless the council agrees to waive the reduction on compassionate grounds

### **13.4 How councillors' benefits are calculated?**

When a councillor leaves the Scheme / retires, his / her pension will be calculated as follows:

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

The lump sum retirement grant will be three times the amount of the pension.

### **13.5 Career Average Pay**

Career average pay is the total of the pensionable pay received by the councillor during their membership of the LGPS adjusted for rises in the Retail Prices Index for each year or part year ending 31 March. The aggregate of each years revalued pay is then divided by the total membership to arrive at the career average pay.

### **13.6 What if a person remains a councillor beyond the age of 75?**

If a person remains a councillor beyond age 75 he / she will not be able to draw pension benefits until he / she ceases to be a councillor. The benefits will be actuarially increased to compensate for the delay in payment.

### **13.7 What is due from the LGPS when a councillor dies?**

Where a councillor who is contributing to the LGPS dies in service, a death grant of two times career average pay will be payable. If he / she is a deferred pensioner at the date of death, a death grant of three times the deferred pension will be payable and if he/ she dies whilst on pension, a death grant of 5 times the pension less the amount of pension already paid will be payable.

## 13.8 Service and Transfers

As benefits for a “councillor member” are based on career average pay it has been decided that “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<sup>4</sup> 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.

## 13.9 Information and Forms

An Information Sheet including an application form to join the LGPS is available for Councils to hand to councillors. Form LGPS 1(Councillors) forms part of the Information Sheet.

When a councillor ceases to be a member of the LGPS please notify the Pensions Section by completing the relevant forms referred to in this Guide. However, instead of quoting a final year’s pay as calculated in Section 12 please state the total pensionable earnings that the councillor has been paid in the year to date of leaving.

Contributions paid by councillors must be included in the annual return of employees’ contributions.

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<sup>4</sup> For example, where a person is concurrently a councillor for two councils, is in the LGPS in each, and ceases to be a councillor for one council but not for the other, he / she is not able to aggregate the periods of membership.

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# Employers Guide to the LGPS

## Employers Discretions

## **15 - EMPLOYERS' DISCRETIONS**

### **15.1 Discretions on which Employers must make Policies and publish such Policies**

Each employer must prepare a written statement of its policy in relation to the exercise of its functions under the following Benefit Regulations:

- regulation 12 (power of employing authority to increase total membership of active members),
- regulation 13 (power of employing authority to award additional pension),
- regulation 18 (flexible retirement),
- regulation 30 (choice of early payment of pension)

The statement must be published by the 30 June 2008 to members of the LGPS and copied to the Avon Pension Fund by the same date.

An employer must:-

- keep its statement under review
- make appropriate revisions following a change in its policy

If the statement is revised it must be published within one month of the date it is revised sent to members of the LGPS and a copy sent to the Avon Pension Fund within that month.

In preparing, or reviewing and making revisions to, its statement, an employer must have regard to the extent to which the exercise of any of the functions in accordance with its policy could lead to a serious loss of confidence in the public service.

#### **15.1.1 Power of employer to increase total membership of an active member (Benefits Regulation 12)**

This regulation allows an employer to resolve to increase the total membership of a member who is currently paying contributions to the Scheme. The member's increase in membership under this regulation (including additional membership in respect of different employments) must not exceed 10 years.

#### **15.1.2 Power of employing authority to award additional pension (Benefits Regulation 13)**

This regulation allows an employer to resolve to award a member additional pension of not more than £5000 a year payable from the same date as his / her pension payable under any other provisions of the Benefit Regulations.

Additional pension may be awarded in addition to any increase of total membership resolved under Benefits Regulation 12. See section 15.1.1 above.

### **15.1.3 Flexible retirement (Benefits Regulation 18)**

A member who has attained the age of 55 and with his / her employer's consent, reduces the hours he / she works, or the grade in which he / she is employed, may make a request in writing to the Avon Pension Fund to receive all or part of his / her benefits under the Benefits Regulations. However, payment of the benefits cannot be made without the employer's consent.

If the benefits are reduced in accordance with guidance issued by the Government Actuary, the employer may agree to waive, in whole or in part, any such reduction.

The minimum retirement age is 55 for new scheme members from 1<sup>st</sup> April 2008 and 1<sup>st</sup> April 2010 for those who are members of the scheme on 31<sup>st</sup> March 2008. Therefore, from 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2010 the minimum retirement age will be 50 for those who are members of the scheme on 31<sup>st</sup> March 2008.

### **15.1.4 Choice of early payment of pension (Benefits Regulation 30)**

If a member leaves an employment before he /she is entitled to the immediate payment of retirement benefits, once he / she has attained the age of 55 he / she may choose to receive payment of them immediately.

A choice made by a member aged less than 60 is ineffective without the consent of his / her employer or former employer.

If the benefits are reduced in accordance with guidance issued by the Government Actuary, the employer may agree to waive, in whole or in part, any such reduction.

The minimum retirement age is 55 for new scheme members from 1<sup>st</sup> April 2008 and 1<sup>st</sup> April 2010 for those who are members of the scheme on 31<sup>st</sup> March 2008. Therefore, from 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2010 the minimum retirement age will be 50 for those who are members of the scheme on 31<sup>st</sup> March 2008.

### **15.1.5 Discretionary powers must:-**

- not be used for an ulterior motive and be exercised reasonably
- be used with regard to all relevant factors e.g. the cost to council tax payers must be balanced against the benefit to the employer
- only be used when there is a real and substantial future benefit to the employer in return for incurring the extra costs
- be duly recorded when used

**In drawing up policy statements, employers must satisfy themselves that they are:**

- applying the discretions reasonably
- not fettered i.e. being used in such a way that individual circumstances cannot be considered or usual practice rigidly followed

## 15.1.6 Further Discretionary Policies

### **Extending the time limit for members to pay contributions following a period of absence - Regulation 22 - Administration**

A scheme member may elect to pay **optional contributions** to cover a period of absence from duty providing the option is made within 30 days of return to work/cessation of employment or such longer period as the employer allows.

### **No double entitlement - Regulation 42 - Benefits**

Where a scheme member would be entitled to a pension or retirement grant under **two or more regulations** by reason of the same period of scheme membership the employer can choose which benefit is to be paid if the member does not make a choice within 3 months of becoming entitled to elect.

### **Exclusion of rights to a return of contributions - Regulation 47 - Administration**

A scheme member who meets the normal criteria for a refund of pension contributions is not entitled to such a refund if he / she left his / her employment because of:

- a) **an offence of a fraudulent character** – unless the employer directs that a total or partial refund may be made to the member.
- b) **grave misconduct** - unless the employer directs that a total or partial refund may be made to the member, his / her spouse, civil partner, nominated cohabiting partner or any dependant of his / her.

### **Forfeiture of pension rights after conviction of employment-related offences - Regulation 72 & 73 - Administration:**

If a scheme member is convicted of, and ceases employment as a result of, an **offence** in connection with his/her employment which was gravely injurious to the State or liable to lead to a serious loss of confidence in the public service, the employer can apply to the Secretary of State for the issue of a forfeiture certificate. If a certificate is issued the employer may direct that any of the person's **rights be forfeited**.

### **Interim payments directions – Regulation 73 - Administration**

Where the Secretary of State has issued a forfeiture certificate but the employer has not applied the certificate nor notified the scheme member of an award of benefits under the LGPS the employer may direct that **interim payments** are made out of the Pension Fund until such time as it decides to apply the forfeiture certificate or to make an award of benefits

**Recovery or retention where former member has misconduct obligation - Regulation 74 - Administration:**

Where a member

- (i) ceases employment in consequence of a criminal, negligent or fraudulent act or omission in connection with that employment and
- (ii) has incurred a **monetary obligation** arising therefrom to the employer and
- (iii) **is entitled to pension benefits** under the LGPS, the employer **may recover** the amount of the monetary obligation or the value of the members pension rights, if less (other than transferred in pension rights) from the Pension Fund and reduce the members benefits accordingly.

**Transfers of sums from the pension fund to compensate for member's misconduct – Regulation 76 - Administration:**

Where

- (i) a member ceases employment in consequence of an offence involving **fraud or due to grave misconduct** in connection with that employment, and
- (ii) the employer has suffered **a direct financial loss** resulting therefrom, and
- (iii) the member **is entitled to benefits** under the LGPS and a forfeiture certificate has been applied, or the member is entitled to a refund of pension contributions

the employer may direct that the **amount of the direct financial loss** (or the refund of contributions, if less) **be recovered** from the Pension Fund.

**Inward transfers of pension rights – Regulation 83(8):**

If a scheme member wishes to **transfer pension rights** into the LGPS he/she must opt to do so **within 12 months of** joining the LGPS **or such longer period as the employer may allow.**

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# Employers Guide to the LGPS

## Payment of Pension Contributions

## 16 - PAYMENT OF PENSION CONTRIBUTIONS

### 16.1 Employer's Contribution Rate

The rate of employer's contributions is currently assessed every 3 years as part of the triennial valuation of the Pension Fund and is operative one year after the valuation date. For example, the valuation of the Pension Fund as at 31st March 2004 will result in a revised employer contribution rate with effect from 1st April 2005. The Pensions Section will notify employers of any change to the employer's pension contribution rate as soon as the Actuarial Valuation Report is received.

### 16.2 Payment of employee and employer pension contributions to the Avon Pension Fund

Payment of employee's and employer's pension contributions relating to any month are technically due at the Pension Fund on the first day of the following month. However, the Pensions Committee of Bath and North East Somerset Council requires these payments to be made by the 10<sup>th</sup> of the month following the month in which they were deducted.

Section 49 (8) of the Pensions Act 1995 makes it a legal requirement that contributions deducted in a month must be received by the Pension Fund within 19 days of the end of the month they were deducted. Failure to meet this deadline is a civil offence and the Occupational Pensions Regulations Authority (OPRA) can impose a fine on an employer of up to £50,000.

It is vitally important, therefore, that employers who miss the Pensions Committee deadline of the 10<sup>th</sup> of the month make these payments no later than the 19<sup>th</sup> of the month. Employers who persistently do not meet the Pensions Act deadline of the 19<sup>th</sup> of each month will be reported to OPRA.

The rules of the Local Government Pension Scheme still require that if these contributions are not paid over within 30 days of the 1<sup>st</sup> of the month interest will be payable at the rate of 1% above base rate.

The Avon Pension Fund will write to each employer in February of each year with details of the employer's contribution rate for the forthcoming financial year together with twelve remittance advices (**Form LGPS 50**). This may be done by email or other electronic means.

Each time a payment of employee and employer contributions is made the employer **must** complete the relevant advice (**Form LGPS 50**). The remittance advice contains the income codes for the contributions paid in by each employer and ensures that the payments are credited to the Avon Pension Fund.

The remittance advice requires both employee and employer contributions to be shown separately for the contribution rates of 5% and 6% with added years contributions shown as a separate amount. There are also separate boxes for the total pensionable pay of 5% and 6% employees to be shown. This information is important as it enables

the Avon Pension Fund to check that both the employees and the employer have paid the correct contributions.

If payment is made by cheque, the cheque must be made payable to Bath and North East Somerset Council and sent with the completed remittance advice (**Form LGPS 50**) to:

**The Chief Cashier  
Bath and North East Somerset Council  
Guildhall  
Bath BA1 5AW**

In order to ensure that contributions are received by the Pension Fund by the 10<sup>th</sup> day of the end of the month in which they were deducted from pay employers may wish to consider making payment via the Bankers Automated Clearing System (BACS). The details for payment in this case are:

Account Title : Bath & North East Somerset Council  
Account : 57134464  
Sort code : 56-00-34

If making payment by BACS please send the completed remittance advice (**Form LGPS 50**) to the same address that cheques are sent, to arrive before the payment is received.

Alternatively, the Pension Fund Accountant can email you a Form LGPS 50 that can be saved as a template. This can then be completed with the relevant dates and amounts each month and emailed to the Chief Cashier ([walter.mclintock@bathnes.gov.uk](mailto:walter.mclintock@bathnes.gov.uk)) and to the Pension Fund Accountant ([martin.phillips@bathnes.gov.uk](mailto:martin.phillips@bathnes.gov.uk)) to arrive before the payment is received.

These procedures are to apply to all employers unless other specific arrangements have been agreed between the employer and the Pension Fund.

### **16.3 End of Year Report of Payments Made**

At the end of each financial year the Fund requires employers to complete **Form LGPS 51**.