

**Bath & North East
Somerset Council**



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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 mayors¹) 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 1st of month following the date of councillor's election.
- f) A councillor who joins the LGPS can decide to opt-out (see Section 5).

¹ 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 rate² 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 reduction³ 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.

² Unless the council agrees to waive the reduction on compassionate grounds

³ 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 concurrent⁴ 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.

⁴ 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.