

JOINT STAFF CONSULTATIVE COMMITTEE - 13 December 2017

Strategic Discussion Topic

Local Government Pension Scheme - The current position and planned changes

The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme for people working in local government or working for other types of employer participating in the scheme. The LGPS in England and Wales is administered locally through 90 local pension funds.

The LGPS is a salary-related, defined benefit scheme and will not be affected by stock market changes or performance of investments. Members pay in, the employer pays in, life cover and tax relief are applied and members of the scheme receive their guaranteed benefits.

Contribution rates

Employee Contribution Rates

<i>Earnings</i>	<i>Contribution</i>
Up to £13,700	5.5% (2.75% in 50:50 scheme)
£13,701 - £21,400	5.8% (2.9% in 50:50 scheme)
£21,401 - £34,700	6.5% (3.25% in 50:50 scheme)
£34,701 - £43,900	6.8% (3.4% in 50:50 scheme)
£43,901 - £61,300	8.5% (4.25% in 50:50 scheme)
£61,301 - £86,800	9.9% (4.95% in 50:50 scheme)
£86,801 - £102,200	10.5% (5.25% in 50:50 scheme)
£102,201 - £153,300	11.4% (5.7% in 50:50 scheme)

Employer Contribution Rate

The current Local Government Pension Scheme employer contribution rate is 18.6% for all grades plus an annual lump sum of £1,006k. These figures were increased as a result of the 2017 Triennial Valuation of the Scheme.

Automatic enrolment

Under the statutory requirements in respect of pensions auto enrolment, all those who have opted out of an employer's pension scheme have to be re-enrolled every third anniversary of the original auto-enrolment. For the Council this meant that all staff who had opted out of the LGPS had to be re-enrolled by 31st March 2017 and a re-enrolment declaration submitted to the Pensions Regulator by 31st May 2017. In total 31 individuals were re-enrolled by the deadline date and the majority of these have now opted out of the scheme once more.

50/50 Option

The LGPS has an option for those that may not be able to afford to stay in the scheme to pay half the normal contributions in return for half the normal pension benefits. This is known as the 50/50 section of the scheme and is designed to help members stay in the scheme when times are financially tough. It's an element of the scheme that works well with automatic enrolment.

How the LGPS scheme has changed over the years

The Local Government Pension Scheme (LGPS) changed from a final salary scheme to a career average scheme on 1 April 2014. From 1 April 2014 the benefits built up in the LGPS are worked out under the rules of a career average scheme. However, for those that joined the scheme before 1 April 2014 the benefits built up in the final salary scheme are calculated based on the terms of the scheme at that time. For membership built up between 1 April 2008 and 31 March 2014 a scheme member would get a pension of 1/60th of final pay as a pension. Final pay is usually the pensionable pay earned in the year prior to leaving the scheme, however, one of the two previous years' pay can be used, if higher.

For membership built up to 31 March 2008 a scheme member would receive a pension of 1/80th of their final pay plus an automatic lump sum of 3 times their pension.

When the total pension pot is worked out, the period spent on each set of different terms is worked out separately and then all added together for the final pension and lump sum if applicable.

Exit Payment Cap

The planned Exit Payment Regulations 2016 have been delayed and there is some evidence that the government might be rethinking the policy but there is no information at present on its planned implementation.

Other changes to the Local Government Pension Scheme

A consultation on changes to the LGPS regulations took place in August 2016. The LGA responded but to date the government response has not been published and there's been no further information.

The LGE employment law update in February 2018 always has a good round up of what's happening on pensions and a pay and pensions update information note will be prepared for the March JSCC. For Employers there is a regular monthly bulletin and a link to it is below.

<http://www.yourpension.org.uk/Hertfordshire/Information-for-employers/News.aspx>

There is also an annual Hertfordshire Employers Forum, the next is to be held in January 2018 and along side the monthly bulletins, this as a good source of information on the management of the scheme.