



Our People

Your pay

PENSION POLICY

JANUARY 2011



INVESTOR IN PEOPLE



Epping Forest
District Council

1. Introduction

The Local Government Pension Scheme (LGPS)

This guide sets out the council's arrangement for the conditions of membership and main scheme benefits that apply if you pay into the LGPS.

The information contained in this policy is current as at 1st April 2010. However, LGPS legislation is subject to Government review and this policy will be updated when legislation necessitates.

What kind of scheme is it?

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972 and is contracted out of the State Second Pension scheme. The benefits under the LGPS are based on the length of your membership and your final year's pay.

Who can join?

To be able to join the LGPS you need to have a contract of employment that's for at least 3 months and be under age 75. If you are eligible for membership of the scheme you will **automatically** become a member. You are required to inform the payroll section if you do not wish to join the scheme.

How do I ensure that I have become a member of the LGPS?

EFDC will inform the pension scheme administrator that you have joined the LGPS. Relevant records will be set up and an official notification of your membership of the LGPS will be sent to you. You should also check your pay slip to make sure that pension contributions are being deducted.

Can I opt-out of the LGPS and re-join at a later date?

You can leave the LGPS at any time by notifying the payroll section in writing, although you will only be entitled to a refund of contributions if you leave the scheme within 3 months of joining. If you opt out, you can opt back into the scheme provided at that time you have a contract of employment that's for at least three months and you are under age 75.

Discretions

The LGPS requires employers to take decisions regarding certain areas of the scheme. The Council have published a document (appendix 1) listing these decisions.

2. Contributions

What do I pay?

Your contribution rate depends on how much you are paid but it will be between 5.5% and 7.5% of your **pay**. The rate you pay depends on which pay band you fall into.



If you work part-time, your rate will be based on the whole-time pay rate for your job, although you will only pay contributions on the **pay** you actually earn.

Whole-Time salary and corresponding contribution rates as at April 2010:

Salary	Contribution
Up to £12,600	5.5%
£12,601 to £14,700	5.8%
£14,701 to £18,900	5.9%
£18,901 to £31,500	6.5%
£31,501 to £42,000	6.8%
£42,001 to £78,700	7.20%
More than £78,700	7.5%

The pay band ranges will be increased each April in line with the cost of living. Personal contribution rates will increased/decreased whenever there is a material change to your pensionable pay.

Do I get tax relief?

As a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your pay. Whilst you are a member of the LGPS you will, prior to State pension age, pay reduced National Insurance contributions.

Does EFDC contribute to my pension?

EFDC pays the balance of the cost of providing your benefits in the LGPS.

Can I pay more to increase my benefits?

You can pay extra to increase your retirement benefits. You can do this either by paying Additional Regular Contributions (ARCs) to buy extra LGPS pension or by making payments to the scheme's Additional Voluntary Contributions (AVCs) arrangement. Additionally, you can pay extra to increase your dependant's benefits. Essex County Council can give you more information on these options and contact details are at the end of this guide.

Can I transfer pension benefits into the LGPS?

Generally speaking, benefits that you have previously built up in the LGPS or in other pension arrangements can be transferred into the LGPS. However, a request to transfer must be made within twelve months.

3. Retirement

To be entitled to LGPS retirement benefits you have to have at least three months membership, or have transferred other pension rights into the LGPS, or already have a deferred benefit in the LGPS in England and Wales.

When can I retire?

You can retire and receive your LGPS benefits in full once you have reached age 65.

Can I retire before age 65?

You can elect to retire and receive your LGPS benefits from age 60 onwards. You may be able to voluntarily retire and receive your LGPS benefits from age 55 but only at the council's discretion. An early release of pension is only *likely* to be agreed where there is no cost to the council.

See attached discretionary powers policy statement (Appendix 1)

What are my LGPS retirement benefits?

When you retire, you will receive a pension and have the option to take part of your pension as a tax-free lump sum. If you joined the LGPS before 1 April 2008, your standard benefit package will include an automatic tax-free lump sum as described in the benefits in section 4 below.

Are there any penalties for retiring before 65 and drawing immediate benefits?

If you voluntarily retire before age 65 your LGPS benefits will be reduced to take account of their early payment and the fact that your pension will be payable for longer. However, if you joined the LGPS before 1 October 2006 and would have at least 21 years scheme membership if you stayed in the scheme to age 65 you will:

a) have some protection from the reduction in respect of benefits you build up in the scheme up to 31 March 2016 if you will be 60 by then, or

b) in any other case, have some protection from the reduction in respect of any benefits you've built up in the scheme up to 31 March 2008. Also, if you will be 60 between 1 April 2016 and 31 March 2020, you may have some further protection on a sliding scale in respect of benefits you build up between 1 April 2008 and 31 March 2020 provided your combined age and scheme membership, both in whole years, would be 85 or more by 31 March 2020.

If you voluntarily retire, you can defer drawing your benefits but you must draw them before age 75.

What if I lose my job through redundancy or business efficiency?

If you are aged 55 or over you will be entitled to the immediate unreduced payment of your LGPS benefits. Please see the council's severance policy for redundancy and/or early retirement.

What happens if I have to retire early due to ill health?

If you have to leave work at any age due to permanent ill health, which has to be certified by the council's occupational health provider, the scheme provides a tiered ill health retirement package. This could give you benefits, paid straight away, and which could be increased if you are unlikely to be capable of gainful employment within 3 years of leaving.

For FAQs please visit: CSS/Human Resources/Pay and Leave/Ill Health/Ill Health Retirement FAQ's

What if I want to have a gradual move into retirement?

This is known as flexible retirement. From age 55, if your request is agreed, you can request that the council considers flexible retirement if:

- There has been a permanent reduction in your hours greater than 25% and/or
- There is a reduction in your grade (but not as a result of job evaluation or redeployment) and
- That the application is received within 3 months of the change in hours and/or grade.

An active scheme member will not be permitted to exercise a second retirement option. The council will not waive any reduction and will not agree to flexible retirement if there is a cost to the council. You can continue paying into the LGPS on your reduced hours or in your new role, building up further benefits in the scheme.

To apply for Flexible Retirement you should, in the first instance, apply in writing to your line manager who will then take advice from Human Resources.

See attached discretionary powers policy statement (Appendix 1)

What if I carry on working after age 65?

If you carry on working after age 65 you will continue to pay into the scheme, building up further benefits. Your pension will be payable when you retire, or when you reach the eve of your 75th birthday, or if you take flexible retirement with the council's consent, whichever occurs first. If you draw your pension after age 65, it will be increased to reflect the fact that it will be paid for a shorter time. Your pension has to be paid by your 75th birthday.

4. The benefits

How much will my pension be?

Your pension is based on the length of your membership in the scheme and your final year's pay. If you are part-time, your scheme membership will count at its part-time length when working out your pension and your final year's pay is increased to what you would have received had you been fulltime.

For membership you build up after 31 March 2008 you will receive an annual pension based on 1/60th of your final year's pay. The examples at Appendix 3 show how benefits based on membership in the LGPS built up after 31 March 2008 are calculated.

What pay is used to calculate retirement benefits?

Your retirement benefits will be calculated on your final year's pay. Your benefits can be calculated on one of the two previous years' pay if better. Also, if your **pay** is reduced, or increases to your **pay** are restricted, in your last 10 years of continuous employment with your employer, you have the option to have your benefits based on the average of any 3 consecutive years' pay in the last 13 years (ending on 31 March), provided you opt to do so by writing to the pension fund no later than one month before leaving.

Can I exchange part of my pension for a lump sum?

You can exchange part of your annual pension for a one off tax-free cash payment. You will receive £12 lump sum for each £1 of pension given up. You can take up to 25% of the capital value of your pension benefits as a lump sum providing the total lump sum does not exceed £450,000 (2010/11 figure) less the value of any other pension rights you have in payment. Details of the maximum tax-free cash payment you can take will be given to you shortly before your retirement. It is at that time you will need to make a decision.

Will my pension increase?

The LGPS provides statutory pension increases. This means that on retiring on or after age 55 your pension will receive annual cost of living increases in accordance with Pensions Increase (Review) Orders. Ill health pensions will receive an annual cost of living increases in accordance with Pensions Increase (Review) Orders regardless of age.

5. Protection for your family

What benefits will be paid if I die?

If you die in service as a member of the LGPS the benefits shown below are payable.

- Lump sum death grant of 3 years pay. If you are part-time, its 3 years part-time pay.
- Pensions for **eligible children**.
- A widow's, widower's, civil partner's or, subject to certain qualifying conditions, a nominated co-habiting partner's pension, equal to 1/160th of your final year's pay times the total membership you would have built up in the LGPS to age 65. If you are part-time, membership to age 65 is calculated assuming you had remained part-time through to then. However, a nominated co-habiting partner's pension will be less than this if you have membership in the scheme before 6 April 1988 and you have not opted to pay additional contributions so that it counts towards a nominated co-habiting partner's pension.

A civil partnership is a relationship between two people of the same sex ("civil partners") which is formed when they register as civil partners of each other.

A co-habiting partner is someone you are living with as if you are married or in a civil partnership. To nominate a co-habiting partner for a survivor's pension your relationship has to meet certain conditions laid down by the LGPS. If you wish to make a nomination a form can be obtained from Essex County Council. For contact details see page 8.

If you die after retiring on pension

A widow's, widower's, civil partner's or, subject to certain qualifying conditions, a nominated co-habiting partner's pension and pensions for **eligible children** are



payable. A widow's or widower's pension is equal to 1/160th of your final year's pay times the total membership your pension is based on unless you marry after retirement in which case it could be less.

A civil partner's pension is equal to 1/160th of your final year's pay times the total membership your pension is based on. A nominated co-habiting partner's pension is equal to 1/160th of your final year's pay times your membership in the scheme from 6 April 1988, plus any of your membership before 6 April 1988 for which you have paid additional contributions so that it counts towards a nominated co-habiting partner's pension.

A death grant is payable if less than 10 years pension has been paid and you are under age 75 at the date of death, in which case the balance of 10 years of pension is paid as a lump sum. The LGPS allows you to say who you would like any death grant to be paid to by completing an expression of wish form. A form can be obtained by calling the member helpline on 01245 431912 or by e-mail (pensionenquiries@essex.gov.uk) or from their website (www.essexpensionfund.co.uk)

The Essex Pension Fund retains absolute discretion when deciding on who to pay any death grant to.

6. Leavers without an immediate entitlement to benefits

Refunds of Contributions

If you leave or opt out of the scheme with less than three months total membership, have not brought a transfer into the LGPS and do not already have a deferred benefit in the LGPS in England or Wales, you may take a refund of your contributions. There will be a deduction for tax and the cost, if any, of buying you back into the State Second Pension scheme (S2P).

Deferred benefits

If you leave before age 65 and your total membership is three months or more or you have transferred other pension rights into the LGPS, or you already have a deferred benefit in the LGPS, you will be entitled to defer your benefits. Your deferred LGPS benefits will be calculated as described in The Benefits in section 4, using the length of your membership up to the date that you left the scheme.

7. Help with pension problems

Who can help me if I have a query or complaint?

If you are in any doubt about your benefit entitlements, or have a problem or question about your LGPS membership or benefits, please contact Essex County Council. They will seek to clarify or put right any misunderstandings or inaccuracies as quickly as possible.

If your query is about your contribution rate, please contact the council's Payroll Team so they can explain how they have calculated your contribution rate. If you are still dissatisfied with any decision made in relation to the scheme you have the right to have your complaint reviewed under the Internal Disputes Resolution



Procedure and, as the scheme is well regulated, there are also a number of other regulatory bodies that may be able to assist you.

The various procedures and bodies are:

Internal Disputes Resolution Procedure

In the first instance you should write to the council's Director of Finance & ICT setting out your complaint. You must do this within six months of the date of the notification of the decision or the act or omission about which you are complaining. The Director of Finance and ICT will consider your complaint and notify you of his or her decision. If you are dissatisfied with the decision you may apply to the The Pension Service at Essex County Council to have it reconsidered.

A leaflet explaining the Internal Disputes Resolution Procedure including relevant time limits is available from

Essex County Council
Pensions Services
County Hall
Chelmsford
Essex CM1 1LX
Telephone Number: 01245 431912
E-Mail Address: pensionenquiries@essexcc.gov.uk
Website: www.essexpensionfund.co.uk

The Pensions Advisory Service (TPAS)

TPAS assist members and beneficiaries of the scheme in connection with any pension query they may have or any difficulty which they cannot resolve with County's pension service.

TPAS
11 Belgrave Road
London
SW1V 1RB
Telephone 0845 601 2923

Pensions Ombudsman

In cases where a complaint or dispute has not been satisfactorily resolved through the Internal Disputes Resolution Procedure or with the help of TPAS, an application can be made to the Pensions Ombudsman within three years of the event that gave rise to the complaint or dispute.

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB
Telephone 0207 630 2200

The Pensions Regulator

This is the regulator of work based pension schemes. The Pensions Regulator has powers to protect members of work based pension schemes and a wide range of powers to help put matters right, where needed.

Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW
Telephone 0870 6063636

How can I trace my pension rights?

The Pension Tracing Service holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their dependants), who have lost touch with previous schemes. All occupational and personal pension schemes have to register if the pension scheme has current members contributing to the scheme or people expecting benefits from the scheme. If you need to use this tracing service please write to:

The Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA
Telephone 0845 6002 537

Don't forget to keep County up to date with any change in your home address.

Essex County Council
Pensions Services
County Hall
Chelmsford
Essex CM1 1LX
Telephone Number: 01245 431912
E-Mail Address: pensionenquiries@essexcc.gov.uk
Website: www.essexpensionfund.co.uk

Appendix 1

Local Government Pension Scheme Policy Statement

This policy statement sets out the Council's approach to scheme changes which came into effect 1.4.2008. Additionally, the statement clarifies early retirement options and employing authority's discretions under the relevant statutory provisions.

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations

Discretion	Regulation	Council Policy
Determine rate of employee's contribution	3	A scheme members rate will be assessed whenever there is a material change to their pensionable pay
Specify in employee's contract what other payments or benefits are to be pensionable	4 (1)(b)	List of pensionable payments (Appendix 2)
Whether to augment membership of an active member (by up to 10 years)	B12	The Council will not increase a member's scheme membership
Whether to grant additional pension to a member (by up to £5,000 p.a.)	B13	The Council will not grant additional pension to a member
Whether, how much, and in what circumstances to contribute to a shared cost AVC scheme	B15(3)	The Council will not contribute to a members additional voluntary contribution
Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	A83(8)	An active scheme member will only be permitted to transfer in a previous pension value within 12 months of joining the Council

Whether all or some benefits can be paid if an employee reduces their hours or grade (flexible retirement)	B18(1)	Flexible Retirement can be requested by an active scheme member (aged 60-65) provided: there has been a permanent reduction to a scheme members hours by 25%; or there has been a permanent reduction in grade (excluding the results of job evaluation or redeployment processes); and the request is made within 3 months of the change
Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	B18 (3)	The Council will not waive any reduction to benefits paid on flexible retirement
Whether to grant application for early payment of benefits on or after aged 50/55 and before age 60	B30 (2)	The Council will determine each application for early release of pension only if there is compelling business reasons to doing so. The Council will not waive the percentage reduction applied to the early payments of benefits, where applicable.
Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early	B30 (5)	Where an employee does not meet the 85 year rule his/her pension may be affected by an 'actuarial reduction'. However, if an employee does not meet the 85 year rule but the Council has agreed to the early release of pension, the Council will meet the financial strain up to an amount of £5000.00

This policy statement will be reviewed annually and will be updated as and when legislation requires.

EFDC will publish this policy document and any further changes. Additionally, regulation 66 (2) requires EFDC to send a copy to the administering authority (Essex County Council).

The Local Government (early termination of employment) (discretionary compensation) (England and Wales) Regulation 2006

Discretion	Regulation	Council Policy
Redundancy payments to be based on an actual weeks pay	5	Actual weeks pay will be used in the calculation of redundancy payments.
To award lump sum compensation of up to 104 weeks pay in cases of redundancy, termination of employment on efficiency grounds, or cessation of a joint appointment.		To award lump sum compensation of one and a half times the statutory entitlement up to a maximum of 45 weeks

List of Pensionable Payments

- § Basic Salary
- § London Weighting – Inner Fringe Allowance
- § Contractual Overtime
- § Night Allowance
- § Standby
- § Standby Payment (Environmental Health Technical Officers - Noise)
- § Committee Allowance
- § Bailiff Duties
- § Ex Gratia Payment
- § First Aid
- § Emergency Planning
- § Pay Protection
- § Supplement 1 (historical payments)
- § Supplement 2 (historical payments)

Appendix 3

Example of pension and lump sum option calculation for membership after 31 March 2008.

If you joined the LGPS before 1 April 2008

Your benefits for membership before 1 April 2008 are calculated differently. For LGPS membership you have built up to 31 March 2008 you receive an annual pension based on 1/80th of your final year's pay **and** an automatic tax-free lump sum of three times your pension.

Like the pension, the automatic lump sum is based on your LGPS membership before 1 April 2008 and your final year's pay. You can also exchange part of your pre April 2008 pension for extra lump sum as described earlier.

Pension example – post 1.4.2008

Full-time employee

On retirement at age 65, a scheme member has 20 years total membership and has final year's pay of £15,000.

Their **annual pension** is:

$$20 \text{ years} \times 1/60 \times £15,000 = \textbf{£5,000}$$

If they decide to give up £1,000 pension for a cash lump sum, then their **reduced annual pension** is:

$$£5,000 \text{ less } £1,000 = \textbf{£4,000}$$

And they will get a **tax-free lump sum** of:

$$£1,000 \times 12 = \textbf{£12,000}$$

Part-time employee

If the same employee had worked halftime (i.e. 20 years at half-time = 10) their **annual pension** would be:

$$10 \text{ years} \times 1/60 \times £15,000 = \textbf{£2,500}$$

If they decide to give up £500 pension for a cash lump sum, then their **reduced annual pension** is:

$$£2,500 \text{ less } £500 = \textbf{£2,000}$$

And they would get a **tax-free lump sum** of:

$$£500 \times 12 = \textbf{£6,000}$$

Pension example – pre 1.4.2008

Full-time employee

On retirement at age 65, a scheme member has 20 years total membership and their final year's pay is £15,000.

Their **annual pension** is:

$$20 \text{ years} \times \frac{1}{80} \times £15,000 = £3750$$

Their lump sum is:

$$20 \text{ years} \times \frac{3}{80} \times £15,000 = £11250$$

Part-time employee

Employee works half full time hours (i.e. 20 years at half time = 10).

Their annual pension will be:

$$10 \times \frac{1}{80} \times £15,000 = £1875$$

Their lump sum is:

$$10 \times \frac{3}{80} \times £15,000 = £5625$$