

Introduction to the Local Government Pension Scheme (LGPS)



Scheme Administration

- Defined Benefit Scheme
- National Scheme administered locally by 89 individual funds in England and Wales
- Administering Authority is responsible for maintaining a Pension Fund
- Employing Authorities are employers in a pension fund (i.e. London Borough of Bromley)

Public Sector Pension Schemes

There are two types of Public Sector Pension Schemes:

Unfunded Pension Schemes (NHS, Teachers' Pension Scheme, Civil Service etc)

- Contributions are collected and used to pay pensions
- There is no investment of contributions
- An increase of Pension Costs (current pensions in payment) causes the contributions to increase

Funded Pension Schemes (LGPS)

- Contributions are collected by and paid out by the 'Pension Fund'
- Assets in the fund are invested with the aim to ensure 100% funding (there are enough assets in the fund to pay for all promised benefits)

Benefits of the LGPS

- Guaranteed Pension
- Annual Pension payable for life
- Tax free lump sum on retirement
- Children's and Spouses/partners pension payable
- Ill health retirement payable
- Death in service grant payable to nominees
- Tax free contributions
- 50/50 Pension scheme
- Flexible Retirement
- Early retirement benefits payable

Scheme Changes

	LGPS 1997	LGPS 2008	LGPS 2014
Basis of Pension	Final Salary	Final Salary	Career Average Revalued Earnings (CARE)
Accrual Rate	1/80ths	1/60ths	1/49ths
Automatic Lump Sum	Yes	No	No
Revaluation Rate	Final Year's Salary	Final Year's Salary	Consumer Price Index
Contribution Rate	6%	5.5% - 7.5%	5.5% - 12.5%
Normal Retirement Age	65	65	Equal to State Retirement Age
Entitlement to Pension after	2 Years (until 2004)	3 Months	2 Years

Calculating Pension Entitlements

Benefits are calculated depending on which regulation was applicable at the time of the membership period.

Membership up to 1st April 2008:

Annual Pension = Final Salary x Years and days of service (pro rata for part-time) x 1/80

Automatic Lump Sum = Final Salary x Years and days of service (pro rata for part-time) x 3/80

Membership between 1st April 2008 and 31st March 2014:

Annual Pension = Final Salary x Years and days of service (pro rata for part-time) x 1/60

Membership after 1st April 2014

Annual Salary x 1/49

Example Calculation of Benefits

Member joined scheme at 1st April 2002 working full-time on a salary of £25,000

Service from 1st April 2002 to 31st March 2008 = 6 Years

Annual Pension = 6 Years x 25,000 x 1/80 = **£1,875**

Lump Sum = **£5,625**

Service from 1st April 2008 to 31st March 2014 = 6 Years

Annual Pension = 6 Years x 25,000 x 1/60 = **£2,500**

Example Calculation of Benefits

Service from 1st April 2014 to 31st March 2020 = 6 Years

Year	Annual Salary	Pension Amount	Plus CPI	Annual Pension
April 2014	£25,000	£510.20	2.36%	£522.24
April 2015	£25,000	£510.20	0.99%	£1,042.66
April 2016	£25,000	£510.20	1.70%	£1,579.26
April 2017	£25,000	£510.20	3.59%	£2,164.47
April 2018	£25,000	£510.20	2.20%	£2,733.51
April 2019	£25,000	£510.20	1.0%	£3,276.15

Employee Contributions

Actual Pay	Contribution Rate
Up to £14,100	5.5%
£14,101 - £22,000	5.8%
£22,001- £35,700	6.5%
£35,701 - £45,200	6.8%
£45,201 - £63,100	8.5%
£63,101 - £89,400	9.9%
£89,401 - £105,200	10.5%
£105,201 - £157,800	11.4%
£157,801 +	12.5%

Employer Contribution Rate

Employer rates are calculated by the Scheme Actuary on a Triennial basis with the last valuation carried out at 1st April 2016. The next Valuation is due at 1st April 2019.

Other than community schools, which are paired with the Council, all employers have a rate individual to them.

The Council's employer rate between 1st April 2014 to 31st March 2017 was 15.3% plus £5.9M per annum

The Council's employer rate between 1st April 2017 to 31st March 2020 is 16.9% plus £2.1M per annum.

Ill Health Benefits

- **Tier 1**
 - Unlikely to be capable of gainful employment before Normal Retirement Date (NRD)
 - Full enhancement to NRD
 - Payable for life
- **Tier 2**
 - Unlikely to be capable of gainful employment within 3 years but likely to be capable before NRD
 - 25% enhancement to NRD
 - Payable for life
- **Tier 3**
 - Likely to be capable of gainful employment within 3 years
 - No enhancement
 - Reviewed after 18 months and ceases after 3 years