



Local Government Pension Scheme (LGPS)

Scheme Employer

Welcome to the 2nd edition of Scheme Employer. This edition concentrates on the new Local Government Pension Scheme (LGPS) which comes into effect from 1st April 2008. I would particularly draw your attention to the issue of the new tiered employee contribution rates because you will need to ensure that your payroll provider is able to make the correct deductions from next April.

We are yet to receive the Administration Regulations or Transitional Provisions Regulations so we only have one part of what is needed to be able to implement the new scheme next year. We will keep you informed as and when further regulations or draft regulations are issued.

Please find enclosed a flyer which shows a comparison between the current scheme and the new scheme. We would encourage you to print/copy/enlarge this and place copies on staff notice boards and in other strategic places. We are in the process of planning a series of Roadshows around Essex to communicate information about the new scheme and will contact you again with further details in due course.

The “New Look” LGPS 2008 — Latest

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 were laid before Parliament on 4th April 2007 to have effect from 1st April 2008. I should point out that there are a number of drafting errors and the information below is given on the understanding that Communities and Local Government will correct these errors.

- ◆ Membership in the current scheme up to 31st March 2008 will be “banked” in the new scheme as 1/80 pension plus 3/80 lump sum to be based on the final pay when a member leaves or re-tires. Any rule of 85 protections will carry over into the new scheme in full.
- ◆ Final Salary Pension based on 1/60th of final pay for each year of post 31/03/08 membership. Any rule of 85 protections will also apply to this membership
- ◆ Final Pay is to be best of last 3 years or average of any consecutive 3 years in last 10
- ◆ Pension Increases to remain linked to RPI
- ◆ Option to commute pension to lump sum (£1 of annual pension = £12 lump sum) up to maximum tax free lump sum of 25% of capital value of benefits
- ◆ Tiered employee contribution rates based on whole-time equivalent pensionable pay on 1st April (or date joined for new starter) as follows:

Band	Range	Contribution rate
1	£0 - £12,000	5.5%
2	£12,001 - £14,000	5.8%
3	£14,001 - £18,000	5.9%
4	£18,001 - £30,000	6.5%
5	£30,001 - £40,000	6.8%
6	£40,001 - £75,000	7.2%
7	More than £75,000	7.5%

- ◆ Normal Retirement Age (NRA) of 65 for release of unreduced benefit

Continued overleaf

In This Issue :

New Look LGPS 2008 - Latest	1 and 2
How do I? Pensionable Overtime	2
About Us	2
Contact details	2



CONTACT US

Address: Pensions Services
P O Box 11
County Hall
CHELMSFORD
CM1 1LX

Phone: 01245 431912
Fax: 01245 493439
Email: pensionenquiries@essexcc.gov.uk

The “New Look” LGPS 2008 - Latest (Continued from front page)

- ◆ Earliest age for release of pension is age 55 (age 50 until 31 March 2010 for current members) except on the grounds of ill- health
- ◆ Early release of benefits from age 55 (age 50 until 31 March 2010 for current members) on grounds of redundancy/ efficiency
- ◆ Survivor benefits for life payable to spouses, civil partners and “nominated” dependant partners (opposite and same sex) at a 1/160th accrual rate
- ◆ Children’s Pension - maximum of 1/160th accrual
- ◆ Death in Service lump sum death grant of 3 times pay
- ◆ Post-retirement lump sum death grant (10 times annual pension less pension paid to date of death) if pensioner dies before 75th birthday
- ◆ Actuarial enhancement to benefits where member continues to work beyond 65 without accessing pension benefits
- ◆ Facility for members to purchase up to £5,000 p.a. of additional pension in multiples

of £250 or to pay AVCs

- ◆ Facility for augmentation of membership
- ◆ Revised permanent ill-health retirement package with no review system within the Scheme:

Higher tier (if no reasonable prospect of gainful employment before NRA) of accrued membership + 100% of prospective membership to NRA

Lower Tier (if cannot obtain gainful employment within reasonable period but is likely to be able to before NRA) of accrued membership + 25% of prospective membership to NRA

The DCLG are intending to introduce a 3rd basic tier outside of the pension scheme by giving employers the appropriate powers to pay a benefit at an ‘accrued membership equivalence’* in the interim where someone cannot do their current job but could obtain alternative gainful employment within a reasonable period. *DCLG wording

We’re on the Web:

www.essexcc.gov.uk/pensions

ABOUT US

Essex County Council are the Administering Authority for the Local Government Pension Scheme (LGPS) in Essex. There are more than 400 scheme employers participating in the Essex County Council Pension Fund.

In Pensions Services we administer the LGPS for in excess of 85000 scheme members including active, deferred and pensioner members.

It would help us to help you if all of your calls/e-mails are directed through our Member Services Team using the contact details shown at the top of this page.

Financial Strategy & Investments deal with the investment of the Pension Fund itself and with the collection of contributions from employers. If you have any questions on these subjects they can be contacted on 01245 431301 (Investments) or 01245 431733 (Contributions)

How do I? Pensionable Overtime

The question as to whether certain overtime is pensionable or not seems to have caused problems for many employers over the years, however it should really be quite a straightforward decision:

The Regulations state that an employee’s pay (for pension purposes) is the total of all the salary, wages, fees and other payments paid to him for his own use in respect of his employment BUT that this does **not** include payments for non-contractual overtime.

This, therefore, implies that contractual overtime **is** pensionable.

To be contractual overtime the employee’s contract must state that the employee has to do the overtime, i.e. state the number of overtime hours per week/month or explicitly state that the employee must work overtime if requested.

The simple way to approach this is to consider the basic question “does the employee have to do the overtime or are they within their rights to refuse?”