

THE EXECUTIVE

10 JUNE 2003

REPORT OF THE DIRECTOR OF FINANCE

PENSIONS FOR COUNCILLORS		FOR DECISION
<i>This reports details the introduction of pensions for Councillors and recommendations of the Independent Remuneration Panel.</i>		
<u>Summary</u>		
<p>Changes to the Local Government Pension Scheme (LGPS) now allow Councillors to join the scheme with effect from 1 May 2003. The Independent Members Remuneration Panel have recommended that this provision apply to all members of the Council and that pensionable pay be based on both Basic and Special Responsibility Allowances.</p>		
<u>Recommendation / Reason</u>		
<p>The Executive is asked to recommend the Assembly to agree membership to the LGPS for all Councillors with effect from 1 May 2003 and approve the revised Scheme for 2003/04, which now includes the pension provision as set out in Appendix A, in accordance with the recommendations of the Independent Remuneration Panel. All other elements of the scheme have previously been agreed,</p>		
Contact Officer Malcolm Simons	Head of Business Services	Tel: 020-8227-2002 Fax: 020-8227-2868 Minicom: 020-8227-2413 E-mail: malcolm.simons@lbbd.gov.uk

1. Background

- 1.1 The Local Government Act 2000 made provision for the availability of pensions for Councillors, but limiting it to members of an Executive. The Government subsequently consulted local authorities on the issue in September 2001, and following strong support from the Local Government Association, decided to give local authorities the power to determine, on the advice of their Independent Remuneration Panels, which Councillors are eligible for membership of the Local Government Pension Scheme (LGPS).

2. Proposed Changes - Which Elected Members can join the LGPS

- 2.1 Regulations have now been issued that set out the position for Councillors joining the Local Government Pension Scheme and the role that the Independent Remuneration Panel plays in the process of deciding which Councillors may be eligible for membership of the scheme.
- 2.2 Basically the Independent Remuneration Panel can make recommendations as to which Councillors (who are under age 70) can join the LGPS and whether the basic allowance or special responsibility allowance, or both, should be made pensionable.

- 2.3 The Council's scheme of allowances must set out which Councillors are 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;
- 2.4 Where the Council's scheme offers membership of the LGPS to a Councillor, it will be for that Councillor to decide whether or not to opt into the LGPS;
- 2.5 An "Eligible Councillor" is entitled to join the Scheme at any time before age 70 and remain as an active member in the LGPS until age 70; and
- 2.6 A Councillor who opts to join the LGPS (a "Councillor Member") is, for the purposes of the Scheme, to be treated as a whole time employee.
- 2.7 The Government has given the Council until 30 September 2003 to put their new scheme of allowances in place and may backdate its effect to 1 May 2003.

3. Contribution Rates

- 3.1 The contribution rate for a Councillor Member is 6% of the pensionable allowances, which is the same rate as employees of the Council.
- 3.2 The Council's contribution rate to the LGPS will be the same as other scheme members of the authority, as assessed by the Fund actuary every three years. Currently this is 8.5% for 2003/2004 and 9.0% for 2004/2005.

4. Service

- 4.1 Councillor Membership will count as whole time service in the LGPS from the date of joining the Scheme.
- 4.2 Councillor Membership is treated entirely separately from any scheme membership as an employee. Councillor Membership and membership derived from employment as an employee cannot be aggregated.
- 4.3 Councillor Members cannot transfer pension rights into the LGPS. But they may aggregate any earlier membership as a Councillor Member with a current period of Council Membership provided that both the earlier and current periods are with authorities participating in the same Fund.
- 4.4 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 (i.e. age and service equals 85 years)

But will count towards:

- Qualifying for benefits.

4.5 The Council cannot increase membership for a Councillor Member either on joining or on leaving at aged 50 or over (“added years”).

5. Benefits Payable

5.1 Councillor Members are: entitled to benefits, provided they have 2 years Councillor Membership or have attained age 70;

5.2 Entitled to retire voluntarily from age 65 to age 70 (but with a reduction if the member does not satisfy the 85 year rule, unless the council agrees to waive the reduction on compassionate grounds);

5.3 Entitled, if the council gives its permission, to receive retirement benefits from age 50 to age 65 (with an actuarial reduction if the 85 year rule is not satisfied, unless the council agrees to waive the reduction on compassionate grounds);

5.4 Entitled to ill health benefits if they cease to be a Councillor by reason of being permanently incapable; and

5.5 Covered for spouse’s and children’s benefits calculated by reference to Career Average Pay rather than final pay;

5.6 But Councillor Members are not covered by the redundancy or early retirement provisions, so cannot be awarded Severance Payments or “added years”;

5.7 When a councillor leaves the Scheme / retires, his / her pension will be calculated as follows:

$$\frac{\text{Number of years in the LGPS as a councillor}}{80} \times \text{Career average pay}$$

5.8 Career Average Pay is the pensionable pay for each year or part year ending 31 March increased by inflation. The aggregate of each years’ revalued pay is then divided by the total number of years and part years to arrive at the career average pay. An example is shown in Appendix B.

5.9 The lump sum retirement grant will be three times the amount of the pension.

5.10 If a person remains a councillor beyond age 70 he / she will not be able to draw pension benefits until he / she ceases to be a councillor or, if earlier, age 75. The benefits will be actuarially increased to compensate for the delay in payment.

5.11 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.

6. Compensation Provisions

- 6.1 The provisions that permit the award of compensatory added years or a lump sum termination payment of up to 66 weeks pay upon redundancy or efficiency retirement, do not apply to Councillor Members.
- 6.2 Councillor Membership cannot count when calculating gratuities or Injury Allowances.

7. Proposals

- 7.1 The Members Independent Remuneration Panel have agreed that all Councillors be eligible to join the LGPS, provided they meet the entry requirements. In addition the panel agreed that both the basic allowance and special responsibility payments should count as pensionable pay.
- 7.2 This does seem to be the most equitable way of dealing with the new provisions and it is thought likely that a number of other administering pension authorities via their independent panels will be making similar proposals. Also as mentioned the same employers' contribution rate as the main membership for LBB&D will apply so there will be no adverse effect on the pension fund. However, the cost of the employers' contribution will fall on the general fund, these can be accommodated within existing budgets. For a variety of reasons not all Councillors will join the scheme, but on the basis of a 25% take up annual employers' costs will be in the region of £13,600.

Officers consulted

Solicitor to the Council
Head of Democratic Support

Background Papers used in the preparation of this report

- Local Government Act 2000
- Statutory Instrument 2003 No. 1022 - The Local Government Pension Scheme and Discretionary Compensation (Local Authority Members in England) Regulations 2003