

**LOCAL GOVERNMENT PENSION SCHEME 2014 AND POLICY STATEMENT ON PENSION CONTRIBUTIONS**

Committee: Personnel and Corporate Service Committee

Date: 6<sup>th</sup> May 2014

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[N276]

**1.0 ISSUE**

- 1.1 To ensure that the Council complies with the Local Government Pension Scheme Regulations 2013.

**2.0 RECOMMENDATION(S)**

- 2.1 That the Committee approves the Council's new Policy Statement on Local Government Pension Scheme Contributions (appendix 1).

**3.0 BACKGROUND/OPTIONS**

- 3.1 Following the Government's fundamental review of public sector pension provision, it was agreed that changes were required to these schemes:
- All public sector pension schemes should change from final salary pension schemes to career average schemes;
  - Scheme retirement ages should be the same as state retirement pension ages;
  - Scheme members and employers should share the increasing costs of providing public sector pension schemes; and
  - Existing rights of current scheme members should be protected.
- 3.2 The new Local Government Pension Scheme 2014 accommodates all of these requirements.
- 3.3 Member benefits accrued prior to 1st April 2014 are largely unaffected by the new scheme and that element will continue to be assessed on a final salary basis rather than a career averaged scheme.
- 3.4 The Local Government Pension Scheme Regulations 2013 requires all scheme employers to publish and keep under review a written policy statement on how they will apply their discretionary powers in relation to certain provisions of the LGPS. The introduction of the new LGPS 2014 Scheme requires all scheme employers to publish a new discretionary pension policy statement on Pension Scheme Contributions. The contribution rates themselves are not set by this Council.

**4.0 ARGUMENTS/CONCLUSIONS**

- 4.1 The new pension policy statement is a legal requirement in order to comply with the Local Government Pension Scheme Regulations 2013.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1 Employer and employee contributions will now be based on actual rather than contractual pay. This is a statutory requirement of the new (1<sup>st</sup> April 2014) Local Government Pension Scheme. This change is not expected to have any material impact on the Council's Medium Term Financial Strategy.

5.2 Equality Impact Assessment (EIA) not required.

6.0 APPENDICES

Appendix 1 – Policy Statement on Local Government Pension Scheme Contributions

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**Background Documents**

<http://pensions.cambridgeshire.gov.uk>

<http://lgps2014.org/>

**Location**

Room 118,  
The  
Grange,  
Ely

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# Policy Statement on Local Government Pension Scheme Contributions

- 1.0 This policy statement is made in accordance with the Local Government Pension Scheme Regulations 2013.
- 1.1 From 1<sup>st</sup> April 2014, the pension contributions bands have changed, see table 1.

**Table 1: England and Wales** – employee contribution table from 1<sup>st</sup> April 2014

Band	Pay Bands	Contribution Rates
1	Up to £13,500	5.5%
2	£13,501 - £21,000	5.8%
3	£21,001 - £34,000	6.5%
4	£34,001 - £43,000	6.8%
5	£43,001 - £60,000	8.5%
6	£60,001 - £85,000	9.9%
7	£85,001 - £100,000	10.5%
8	£100,001 - £150,000	11.4%
9	£150,001 or more	12.5%

- 1.2 Contribution levels are now based on actual pay including non-contractual overtime or additional hours. Similarly, other remuneration, such as out-of-hours on-call payments are also now pensionable. For part time staff this means that contribution rates will be based on their actual pay and not their whole time equivalent.
- 1.3 Pay can vary throughout the year due to seasonal fluctuations, staff changing their working hours and staff changing jobs through promotions.
- 1.4 The Council will reassess the contribution rate once per year on 1<sup>st</sup> April. At this point, the Payroll department has a complete picture of staff annual pensionable earnings and will be able to decide the appropriate contribution rate by matching the actual pensionable pay to the appropriate band in the contributions table.
- 1.5 New employees will be assessed by using their known salary and entitlement to payments at the point of joining the scheme.
- 1.6 There may be circumstances when a scheme member's pay is reduced part way through the year resulting in their salary falling within a lower contribution band, for example through redeployment. In this situation it would be reasonable to apply the reduced rate from that date.
- 1.7 It is expected that every three years the contribution bands will be reviewed.