

## Pensions for Councillors in Wales

The Local Government Pension Scheme (LGPS) is available to all councillors of a Welsh county council or county borough council who are offered membership of the Scheme under their council's scheme of allowances and who are under age 75.

This leaflet gives you a brief outline of the main benefits of the Scheme and explains what you pay in and what you can expect in return.

The LGPS is a secure scheme because the benefits are guaranteed by law. The benefits you get when you retire are based on the number of years you have been a member of the Scheme and your average pay as a councillor. Your benefits are not dependent on share prices and are not affected by stock market fluctuations.

### How do I join the LGPS?

It will be up to you to decide whether to join the Scheme, although you have to be under age 75. To secure your entitlement to the Scheme benefits it is important that you complete and return a joining form. On receipt of your form, a relevant pension record will be set up and an official notification of your membership of the Scheme will be sent to you.

### Can I join if I already pay into another pension?

Yes - you can pay into as many different pension schemes as you want. You can pay up to 100% of your UK taxable earnings in any one tax year into any number of pension arrangements of your choice (or, if greater, £3,600 to a 'tax relief at source' arrangement, such as a personal pension or stakeholder pension scheme) and be eligible for tax relief.

### What do I pay?

You currently pay 6% of your basic and responsibility allowances as a councillor into the LGPS. You do not pay contributions on any dependants' carers allowance, travelling and subsistence allowance or co-optee's allowance. If you pay tax, you will get tax relief on your contributions when they are deducted from your allowances.

There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increases in any one year by more than the annual allowance you may have to pay a tax charge. Most people will not be affected by the annual allowance.

Your council pays the rest of the cost of providing your LGPS benefits, which costs the council about double the amount you pay.

## What are the benefits?

**Life cover** from the moment you join, with a lump sum of two times your career average pay paid if you die in service under age 75.

**Cover for your family** with a pension for your spouse or civil partner<sup>1</sup> and for eligible children should you die.

### Retirement benefits after three months' membership:

You can retire from office and take your pension from age 55, even though the Scheme's normal pension age is 65. Benefits paid before age 65 will normally be paid at a reduced rate.

The Government has announced that the earliest age you can take your pension will increase to age 57 from April 2028. The LGPS regulations have not yet been amended to reflect this change.

**Immediate benefits** are payable at any age if you have to retire because of permanent ill health.

**When you retire** you can look forward to:

- a **tax-free lump sum**, and
- a **pension payable for life** that increases each year in line with the appropriate cost of living index.

## How are benefits worked out?

Your LGPS pension when you retire is calculated as 1/80th of your career average pay for each year of membership of the LGPS:

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<sup>1</sup> A civil partnership is a relationship between two people of the same or opposite sex ('civil partners') which is formed when they register as civil partners of each other.

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Annual pension = Membership of the LGPS ÷ 80 × Career average pay

Plus you get a lump sum of three times that amount:

Lump sum = 3 × Annual pension

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You can, if you wish, give up some of the pension to get a bigger lump sum when you take your benefits. You may take up to 25% of the capital value of your pension benefits as a lump sum. You receive £12 lump sum for each £1 of annual pension given up.

The lump sum is usually paid tax-free. However, there is a limit on the amount of tax-free cash you can take from UK pension schemes. The limit is £268,275 and is known as the lump sum allowance. If you have already taken payment of a pension, you may have used up some of your lump sum allowance. A higher limit may apply if you hold lifetime allowance protection.

### **What is career average pay?**

Your career average pay is based on:

- your allowances<sup>2</sup> as a councillor for each year or part year ending 31 March
- other than your final year's pay, these are adjusted by the change in the cost of living, as measured by the appropriate index(es), between the end of the relevant year and the end of the month in which you leave the Scheme
- the aggregate of each year's revalued pay is then divided by the total number of years and part years you have been a member of the LGPS to arrive at your career average pay. This is used in the calculation of your LGPS benefits.

### **Can I transfer previous pension rights into the LGPS?**

You cannot transfer previous pension rights into the LGPS from another pension scheme, personal pension plan, another LGPS administering authority or from LGPS membership as an employee. If you have LGPS pension rights from a previous period of councillor membership in the same LGPS administering authority, you can join them to your current councillor membership. This must be done within 12 months of re-joining the Scheme, or longer if your council allows.

### **What happens if I leave before retiring?**

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<sup>2</sup> This is your basic and special responsibility allowance. It does not include any dependants' carers allowance, travelling and subsistence allowance or co-optee's allowance.

If you have at least three months' membership and you leave before becoming entitled to the immediate payment of your benefits, they will be deferred for payment, normally until age 65.

You may be able to transfer your LGPS benefits to another pension scheme. You cannot transfer them to another LGPS administering authority in Wales or join them to any membership of the LGPS you build up as an employee in England or Wales.

If you have less than three months' membership you may be able to claim a return of contributions, less tax.

### **Can I pay more to improve my pension benefits?**

You can increase your benefits by making additional voluntary contributions (AVCs).

You can also pay contributions into a personal pension plan or stakeholder pension scheme.

### **How do I join the LGPS?**

If you are under age 75 and you wish to join the LGPS:

Please complete the attached form and return it to the Gwynedd Pension Fund, Stryd y Jêl, Caernarfon, Gwynedd. LL55 1SH

If you opt to join the Scheme, you should check your payslip to make sure pension contributions are being collected from your allowances.

### **Want to know more?**

This leaflet gives a brief outline of the LGPS. You can find more information on the [councillor pensions page of the LGPS member website](#), where you can view a copy of the full Scheme guide.

### **Disclaimer**

This leaflet is for councillors in Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication. The Government may make changes to overriding legislation and, after consultation with interested parties, may make changes in the future to the LGPS.

This leaflet cannot cover every personal circumstance. In the event of any dispute over your pension benefits, the appropriate legislation will prevail. This leaflet does not confer any contractual or statutory rights and is provided for information purposes only.