Cronfa Bensiwn
GWYNEDD
Pension Fund

lgps | Local Government Pension Scheme

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 simple outline of the Scheme. It explains what you will pay in and what benefits you will receive.

The LGPS is a secure and safe scheme. The regulations guarantee your benefits, so you don't need to worry about stock market performance or changes in share prices. When you retire, the benefits you get are based on the number of years you have been a member of the Scheme and your average pay as a councillor.

How do I join the LGPS?

You can choose to join the Scheme if you are under 75. To secure your entitlement to the Scheme benefits it is important that you complete and return a joining form.

Once we receive your form, you will become a member from the beginning of the next pay period. We will then start deducting pension contributions from your allowances. You should check your payslips to make sure pension contributions are being collected from your allowances.

We will set up your pension record and send you an official notification of your membership of the Scheme.

Can I join if I already pay into another pension?

Yes - you can pay into the LGPS even if you already contribute to another pension scheme.

In each tax year, you can pay up to 100% of your UK taxable earnings into any number of pension arrangements of your choice and still be eligible for tax relief. If your earnings are lower, you can still pay up to £3,600 into a pension that uses 'tax relief at source', such as a personal pension or stakeholder pension scheme.

There is a limit on how much tax relief you can get on pension contributions. If the value of your pension savings grows by more than the annual allowance in a single year, you might have to pay a tax charge. Most people will not be affected by the annual allowance.

What do I pay?

As a councillor, you pay 6% of your basic and responsibility allowances into the LGPS – these are your pensionable allowances. You do not pay contributions on:

- any dependants' carers allowance,
- travelling and subsistence allowance, or
- co-optee's allowance.

You get tax relief on your pension contributions. If you pay tax, your contributions are taken from your earnings before income tax is calculated, reducing the amount of tax you pay.

If you do not earn enough to pay income tax, you will still benefit from tax relief, but not through your pay. For the 2024/25 year onwards, HMRC will make top-up payments directly to Scheme members in this group. HMRC will be contacting eligible members from August 2026 about these payments.

Your council pays the balance of the cost of providing your LGPS benefits.

What are the benefits?

Peace of mind

Your family enjoys financial security, with immediate life cover and a pension for your spouse or civil partner and eligible children.

If you have to retire because of permanent ill health, your pension could be paid straight away (from any age).

Freedom to choose when to take your pension

Your pension benefits are normally payable from the Scheme's normal pension age, which is 65. However, if you have at least three months' membership, you can choose to retire from office and take your pension any time between age 55 and 75. If you choose to take your benefits before age 65, they will normally be reduced because they are being paid earlier. If you take them after age 65, they will be increased, because they are being paid later.

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When you retire you can look forward to:

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

How are benefits worked out?

When you retire, your LGPS pension is based on your career average pay and how long you have been a member of the Scheme. Each year you are in the Scheme, you build up a pension worth 1/80th of your career average pay.

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

If you wish, you can give up part of your annual pension to get a larger lump sum when you take your benefits. You can take up to 25% of the capital value of your pension benefits as a lump sum. For every £1 of annual pension you give up, you will receive £12 as a lump sum.

The lump sum is usually paid tax-free but there's a limit. The maximum tax-free lump sum you can take from all your UK pensions is £268,275. This is known as the lump sum allowance. If you have already taken a pension, you may have used up part of this allowance. A higher limit may apply if you hold lifetime allowance protection.

What is career average pay?

Your career average pay is the average of your councillor allowances over the time you've been in the Scheme. It's worked out like this:

- each year (ending 31 March) your allowances as a councillor are recorded
- except for your final year, each year's pay is adjusted for inflation using the appropriate index
- all the adjusted yearly amounts are added together and then divided by the number of years (and part years) you've been in the Scheme.

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. However, if you were previously a councillor in the same

LGPS fund, you may be able to combine earlier periods of councillor membership with your current one.

You must do this within 12 months of rejoining the Scheme, unless your council allows more time.

What happens if I leave before retiring

If you leave the LGPS before you retire and have at least three months' membership, your pension benefits will be deferred. This means they'll be held for you and normally paid from age 65.

You may be able to transfer your LGPS benefits to another pension scheme.

If you rejoin the LGPS as a councillor in Wales in the same LGPS fund, or rejoin as a councillor or mayor in England, you may be able to combine your deferred benefits with your new LGPS benefits. You must do this within 12 months of rejoining the Scheme, unless your council allows more time. Your deferred benefits as a councillor in Wales cannot otherwise be combined with other LGPS benefits.

If you leave with less than three months' membership you may be able to claim a return of your 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 choose to pay into a personal pension plan or stakeholder pension scheme alongside your LGPS membership.

Want to know more?

This leaflet gives a brief outline of the LGPS. You can find more information on the councillor pension page of the Gwynedd Pension Fund 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.