

Hutton Henry and Station Town Parish Council

Adopted July 2023

Pensions and Retirement Policy

Introduction and Background

All employees of the Town Council are eligible to participate in the Local Government Pension Scheme, which is a defined benefit pension scheme.

A defined benefit pension scheme is one where the scheme rules define the benefits payable to members independently of the contributions payable, and the scheme may be funded or unfunded.

The Administering Authority for the Local Government Pension Scheme in County Durham is Durham County Council.

Durham County Council operates the scheme in accordance with the various pensions regulations as follows:

- Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014
- The Local Government Pension Scheme Regulations 2013.

Employers and employees participating in the Pension Scheme will pay contributions and receive benefits in accordance with the requirements of these regulations and the rules and requirements of the Local Government Pension Scheme.

Employers' and employees' contributions are determined by the Pension Fund actuary on a triennial basis and are set to meet 100% of the liabilities of the Fund, in accordance with the relevant Government regulations.

The Council's contribution towards participating employee's pensions is currently set at 19.1% of pensionable pay. Employees' contributions currently range from 5.5% to 8.5% of pensionable pay depending upon the level of salary.

Further information about the Durham County Local Government Pension Scheme including the various rules and regulations, membership details, contribution rates and benefits payable are available from the Pensions Department at Durham County Council, County Hall, Durham, DH1 5UE.

The Council needs to have in place a Retirement and Pensions Policy, because the Local Government Pension Scheme Regulations require each Employing Authority to formulate, publish and keep under review a policy statement in relation to the exercise of several discretions which employers can use under the Scheme.

There are many discretions which local government employers may exercise, but the regulations require that all LGPS employers must have a policy on the following five discretions:

- Whether to grant additional annual pension of up to £6,500 per annum (figure as at 1st April 2014) to an active scheme member, or within six months to a member whose employment was terminated on the grounds of redundancy or business efficiency
- Where a scheme member wishes to purchase additional annual pension of up to £6,500 (figure at 1st April 2014) by making Additional Pension Contributions (APC's), to voluntarily contribute towards the cost by making either a regular or lump sum additional pension contribution to member's account (part or whole funding this), via a Shared Cost Additional Pension Contribution

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- Whether to allow the rule of 85 to be 'switched on' and grant application for early payment of benefits, to members who would normally meet the rule but who will not if they voluntarily draw their benefits from age 55 to 59 (for both active and deferred members)
- Whether to permit flexible retirement for staff aged 55 or over, allowing all or some pension benefits to be paid if a member wishes to reduce their working hours and/or grade and continue to work, and whether to waive some or all of any actuarial reduction that would apply on the flexible retirement
- Whether to waive, in whole or in part, actuarial reduction on benefits when a scheme member voluntarily draws their pension benefits before their Normal Pension Age, for both active and deferred members and those on suspended tier 3 ill health retirements.

The Retirement Process

The information on this page aims to explain the retirement process from the point of handing in your notice to your employer (active members) or requesting release of your deferred benefits.

Active members

Please read the following guidance which aims to explain when an active member can retire and the impact this has on their pension benefits.

The process

Step: 1. Hand in your notice to your employer. Benefits can not be paid if you are still in employment, however there are certain exceptions (read for guidance about flexible retirement [LINK](#)). Your required period of notice will be in your contract.

2. Once your notification of retirement has filtered through your employers internal procedures and been finalised a 'notification of leaver' form is sent to Durham Pension Fund (the fund) to begin the retirement process.

Please note: 'the fund' are unable to act until official notice from the employer is received.

3. The Pensions Team also require a calculation of your final pay from your Employer. Without this information 'the fund' are unable to carry out any calculations and provide the scheme member with an illustration of benefits due. Most employers do not submit this information until after the employee has received their final salary payment.

4. Once in receipt of the leaver notification and pay calculation the Pensions Team will begin the retirement process. This involves several data accuracy checks on the pension record. A pension benefit calculation will then be produced using the pay figures supplied by the Employer. Once authorised this illustration of benefits is sent to the individual along with a number of forms to complete and return. Any delay in submission of this paperwork will affect the ability of 'the fund' to put benefits in to payment.

5. Once the paperwork is returned, the necessary checks will be carried out to ensure that everything has been filled in correctly. Quite often forms are returned 12 incomplete which then need sending back to the individual before pensions can be paid. Please take care when completing retirement paperwork and ensure all parts are completed fully and accurately. Once 'the fund' are satisfied that they have all of the information required to complete the retirement, a final calculation will be processed. After the calculation has been authorised the pension can be put into payment and any lump sum paid (if applicable).

6. A final letter is sent to the scheme member, giving details of when payment of the annual pension will begin (plus notification of any arrears due) and when the member can expect to receive payment of the lump sum into their bank account.