



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority  
Human Resources Committee

# **CHANGES TO THE LOCAL GOVERNMENT PENSION SCHEME – EMPLOYERS DISCRETION**

Report of the Chief Fire Officer

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**Agenda Item No:**

**Date:** 28 March 2008

**Purpose of Report:**

To seek the approval of Members to the exercise of an employers discretion in relation to the administration of the Local Government Pension Scheme.

## **CONTACT OFFICER**

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## 1. BACKGROUND

- 1.1 The Local Government Pension Scheme (LGPS) is undergoing a significant change from 1 April 2008. Changes to the scheme have been well publicised in so far as they affect members of the scheme, and the overall effect of changes will be that employers contribution rates will reduce over time as the value of pension funds begin to more accurately reflect the obligations upon them.
- 1.2 The most significant changes relate to the expected retirement ages of staff and the contribution rates that they pay. It is a matter relating to this second area which is the subject of this report and upon which a decision is required.

## 2. REPORT

- 2.1 From 1 April 2008 the contribution rates of employees in the Local Government Pension Scheme (LGPS) will change such that rather than the fixed rates of 5% and 6% which were paid previously, members will now make contributions in bands depending on their salary levels. The bandings are:

<b>Band</b>	<b>Range</b>	<b>Rate</b>
1	£0 - £12,000	5.5%
2	£12,001 - £14,000	5.8%
3	£14,001 - £18,000	5.9%
4	£18,001 - £30,000	6.5%
5	£30,001 - £40,000	6.8%
6	£40,001 - £75,000	7.2%
7	Greater than £75,000	7.5%

Unlike income tax these bandings are not progressive, but will apply to all pensionable pay once a band has been reached.

- 2.2 This means that an employee earning £18,000 per annum will pay £1,062 in pension contributions, whilst an employee on £18,001 will pay £1,170.
- 2.3 There are a number of reasons why an employee may change bands during a particular year including pay awards, job re-evaluations and promotions. Moving employees between bands in any given year is administratively difficult, particularly as the bands themselves are to be “flexed” with inflation and should therefore keep pace with pay awards in the long term.
- 2.4 It has been suggested that employers may wish to consider “fixing” an employees contribution rate on the 1 April each year and not seek to adjust this for changes that happen subsequently. Similarly when this is recalculated for the new year there will be no backdating effect.

- 2.5 Band 3 is the lowest salary grade in the fire and rescue service, with the majority of staff falling into Band 4. However, there are some instances where a single salary grade crosses a banding although this would generally only occur when an increment is paid which is usually on 1 April. This happens at Grade 5 and Grade 7. The numbers of staff within each banding is as follows:

<b>Band</b>	<b>Range</b>	<b>Rate</b>	<b>Number of Staff</b>
1	£0 - £12,000	5.5%	0
2	£12,001 - £14,000	5.8%	0
3	£14,001 - £18,000	5.9%	49
4	£18,001 - £30,000	6.5%	89
5	£30,001 - £40,000	6.8%	31
6	£40,001 - £75,000	7.2%	7
7	Greater than £75,000	7.5%	3

- 2.6 There has been an issue raised as to the position regarding staff who are on reduced hours or on reduced pay in terms of whether their contribution rates can be reduced “in year”. The regulations are clear on this matter in that the contribution rate paid by an individual relates to their equivalent full time salary, so there can be no reduction.
- 2.7 It is understood that both County and City Councils have taken the view that they will fix the contribution rates and it is suggested that the Fire and Rescue Authority does the same.

### **3. FINANCIAL IMPLICATIONS**

There is no direct cost to the employer arising from this decision, however any shortfalls in the pension fund are required to be made up by increased employer contributions later. The profile of the staff is such that it is clear that changes of bandings will not be significant and therefore these costs will be low.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

The personnel implications are as set out in the report.

### **5. EQUALITY IMPACT ASSESSMENT**

An equality impact assessment has not been prepared in respect of this report as this is an administrative matter which will have a marginally beneficial effect to all employees. It is perhaps interesting to note however, that many of the changes to the Local Government Pension Scheme have been introduced to remove elements of indirect discrimination within the old scheme.

## **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

## **7. RISK MANAGEMENT IMPLICATIONS**

Failure to agree to annual fixing under the LGPS would place additional burdens on salary staff to make appropriate adjustments in year. This increases the potential for errors and thus a negative impact on staff.

## **8. RECOMMENDATIONS**

That Members give their approval to the Authority fixing LGPS contribution rates for the coming year on the basis of salaries at 1 April each year and do not adjust these throughout the year.

## **9. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

Frank Swann  
**CHIEF FIRE OFFICER**