



West Midlands Pension Fund

Rechargeable costs

Compensatory added years

Under the Local Government (Discretionary Payments) Regulations 1996, an employing authority could award a member 'compensatory added years' of membership on retirement before normal retirement date where employment was terminated due to redundancy or efficient exercise.

Compensation awarded under the provisions of the former 'discretionary compensation regulations' are not funded via the local government pension fund, but are a direct cost to the employer. The Fund makes the payments on behalf of the employer and recharges them on a pound-for-pound basis.

Pensions increase

Local Government Pension Scheme pensions increase each year in line with the limited price indexation (LPI). Benefits are increased by the increase in the retail prices index (RPI) measured as at September each year. The Government, through the June 2010 budget, has announced that from April 2011, public sector pensions will rise in line with the consumer prices index (CPI).

Pensions increase is calculated against an individual's pension and paid by the Fund. However, if an employer has awarded 'compensatory added years', the pensions increase amount on this portion of the pension is payable by the employer (unfunded PI). This amount is recharged to the employer annually, each April.

Recharge to the employer

The employer is recharged for the 'compensatory added years' element of the pension and the 'unfunded PI' element.

Pension payments with compensatory added years

These pensions are made up of four parts:

- Basic pension – paid for by the Fund
- Pensions increase funded – paid for by the Fund
- Compensatory added years awarded – recharged to the employer
- Pensions increase unfunded – recharged to the employer