Understanding The Employer Role

Welcome, no formal registration today

Relax!

Course starts at 10 prompt

Local Government Association

Understanding The Employer Role

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Today’s agenda

Brief Overview

Joining the LGPS

CARE vs Final Pay

Absences

Additional Contributions

Regulatory Requirements - Actives

All Types of Retirement and Death

Early Leavers

Other Areas for Consideration

But firstly….

- “One” Scheme
- One hundred Funds
- LGPC “PIG” costs met by the Funds
- It’s a matter of interpretation…
  - –Service delivery differs too
- These notes are simplified as much as possible for training purposes
- More detailed information at www.lgpsregs.org

A brief overview

Brief Overview

- **Public Service Pension Scheme**
  - **MHCLG is responsible authority**
- **Defined Benefit scheme**
- **Funded**
- **Administering Authorities responsible for administration and investment**
- **14,000 scheme employers (SAB report)**
- **Funding risk sits with the employer**

Brief Overview – Funding Risk

Brief Overview

- The LGPS
  - Was a Final Salary scheme
  - Now Career Average Revalued Earnings (CARE) from 1/4/14
  - Service up to 31/3/14 retains the Final Salary link

Final Salary

CARE

Brief Overview - CARE

- **Career Average Revalued Earnings**
    - **Introduced 1/4/14**
    - **Normal Pension Age = State Pension Age**
  - **Each year (April to March) pension added to member's pension account**

Pensionable Pay ✖ Accrual rate

Accrual rate is 1/49 or 1/98

On 1st April the account is revalued by CPI

Brief Overview CARE Example

Clare Accrual joined the scheme on 1/4/16

2016/17	£12,000	×	1/49	=	£244.90
2017/18	£13,110	×	1/49	=	£267.35

Pension Account

1/4/18	£530.14

Revaluation 3%

Brief Overview – Final Salary

- **Final Salary pension build up ended 31/3/14**

Service × Accrual × Final Pay

Service = calendar length membership of the scheme – pro rated where part time

Service before 1 April 08	1/80
Plus pre 08 lump sum	3/80

Brief Overview – Final Salary Example

Fin Albert Salary joined the scheme on 1/4/06

Part time worker: 18.5/37 hours leaves 31/3/18

(CARE ignored for this example)

Service

1/4/06 to 31/3/08 = 2 years	✖	18.50/37	=	1 year
1/4/08 to 31/3/14 = 6 years	✖	18.50/37	=	3 years

Final Pay **1/4/17 to 31/3/18**

Actual Pay: £9,500	✖	37/18.50	=	£19,000

Brief Overview – Final Salary Example

Fin Al Salary

Pension

1 year	✖	1/80	✖	£19,000	=	£237.50
3 years	✖	1/60	✖	£19,000	=	£950.00
						£1,187.50

Retirement Grant

1 year	✖	3/80	✖	£19,000	=	£712.50

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Joining the LGPS

Joining the scheme

- A range of “Scheme employers”
  - Schedule 2 Part 1 bodies must offer the scheme
    - e.g. County Councils, District Councils, London Boroughs, FRAs, P&CC, Academy Schools
  - Schedule 2 Part 2 bodies can choose to offer the scheme through a designation
    - e.g. precepting authorities - Parish Councils, Town Councils, entities ‘connected’ with a Part 1 body
  - Admission bodies
  - Deemed employers

Joining the scheme

- If eligible, enrolled contractually
  - Providing has 3 month or more contract
  - Aged under 75
  - Not eligible for another Public Service Pension Scheme

- “Auto-enrolment” is different

Auto-enrolment

Overriding law, “staging” phased in 2012-2017

- Assess workforce
- Can use “postponement” up to 3 months

Eligible Jobholder		**Automatically enrolled**
Works in UK		
Age	**22 to SPa**	
Earns	**> £10k**	
Non Eligible Jobholder		**Can opt in**
Entitled Worker		

Auto-enrolment

- Very rigid / prescriptive rules
  - Refer to bullets on p2 Joining the LGPS

- Comprehensive info available at www.lgpsregs.org

- The LGPS is a qualifying auto-enrolment scheme

Contracts for < 3 months

- Contractual enrolment from auto-enrolment date
- So an Eligible Jobholder is contractually enrolled on commencement
- “postponement” can be used to avoid this
- Not denying access!
  - Postponed EJs, and NEJs and EWs can still opt in if they want to
- Note: If contract is extended to 3 months+, the person is contractually enrolled from 1st of next pay period.

Providing information

- Basic information about LGPS must be given by AA within just 2 months
  - On auto-enrolment that time limit is just 1 month from the date you tell them about the new member
  - On auto-enrolment job holder information should be provided to the AA within 6 weeks of enrolment
  - Electronic/paper?

- Each new member should complete a “form”
  - “new starter” forms are about much more than new starter information

Opting out

- Opt outs are effective from the date the person specifies
  - (As long as it's not in the past or before employment starts)
  - Else they cease at end of current pay period
- < 3 months' in the LGPS – refund by employer
- > 3 months but < 2 years – refund from Fund
- > 2 years – deferred benefit
- Employers mustn't issue opt-out forms (since AE)
- Members who opt out after 11/4/15 can rejoin but cannot combine any accrued benefits unless these were a deferred refund (within 5 years)

Opting in and rejoining

- Anyone not in, but eligible, can apply to join
  - In writing to their scheme employer
  - They will join the "main" section from the 1st day of the next pay period
  - Cannot combine previous deferred benefits if had opted out after 11/4/15
- Opted out members can be automatically re-enrolled into the scheme (though check TPR guidance if transitional delay was applied)

ONE SCHEME, TWO SECTIONS

- The 50/50 Option is a low cost option
- "Pay half, get half" from a personal viewpoint
  - Other benefits retained in full (death, dependants etc.)
- On election for the 50/50 section
  - Employee Conts halved from 1st of next pay period
  - Accrual rate halved from **1/49** to **1/98**
  - Pay needs to be recorded as 50/50 section
- Employer required to give the member information on the effect on their benefits
- Member whole cost APCs cease
  - All other additional contributions remain payable in full

The 50/50 Option lapses

- 50/50 not designed to replace "full" membership permanently

- Member moved back into the main section:
  - 1st day of next pay period after the employer's re-enrolment date (worker category irrelevant)
  - 1st day of next pay period following starting no pay sick

- When moved back to the main section?
  - They stay there unless make another 50/50 option

DECIDING THE CONTRIBUTION RATE

- Employer has to decide employee contribution rate
  - On commencement for new members
  - From time-to-time thereafter
- Employer must, ASAP, notify rate, date to be applied from, and right of appeal
- Let’s have a look at the bandings …….

2019/20	Main Section	50/50
Actual Pensionable Pay	Gross rate	Gross rate
Up to £14,400	5.5%	2.75%
£14,401 - £22,500	5.8%	2.9%
£22,501 - £36,500	6.5%	3.25%
£36,501 - £46,200	6.8%	3.4%
£46,201 - £64,600	8.5%	4.25%
£64,601 - £91,500	9.9%	4.95%
£91,501- £107,700	10.5%	5.25%
£107,701 - £161,500	11.4%	5.7%
£161,501 or more	12.5%	6.25%

Actual pay rather than full-time equivalent is used in the assessment.
Note that reductions in pay due to sickness, child related leave etc. are ignored.

Just what is “actual” pay

- Zero-hours contracts etc.
  - Educated guess?
- For others, perhaps base rate on:
  - Contractual Pay p.a.
  - That, plus estimate of O/T or extra hours
  - Hourly rate x estimated hours p.a.
  - Weekly rate x 52.143
  - That, plus estimate of other pensionable pay
- And review at a later date in the light of experience?

“Reallocation”

- Actual regulations provide for annual inflation
  - MUST reassess each 1 April
- Can reattribute periodically on material change in pay (e.g. promotion or job evaluation)
- Depending on stance taken on initial decision, the employer could then review periodically:
  - Every pay period and charge rate for that period
  - Every pay period taking a year-to-date pay
  - Quarterly
  - Month 11
  - Next year
- Employer must, ASAP, notify rate, date to be applied from, and right of appeal

Multiple employments

- Pays contribution rate on all PP in that job
- Where 2 or more jobs exist, rate assessed on each job
- So let's say Job A salaried at £22,000 and B at £26,000
- Pays 5.8% on Job A and 6.5% on Job B
- But if there's only one employment relationship?
  - Combined salaries = £48,000
- Single contribution rate is 8.5%
- If contribution rate is employer payroll software driven?
  - Essential "it" knows the score!

Net Pay Arrangement

- LGPS operates the “net pay arrangement” in relation to tax
- Employee pension contributions are taken from gross pay before tax is assessed and deducted
- Those who earn less than tax code: £12,500 do not benefit from this

Employer Contributions

- Paid as a % of employees payroll
- Plus lump sums
- Rates set by the administering authority every three years using the results of the triennial valuation
- Inaccurate data can mean higher rates!
- Two components
  - Primary rate - the future rate
  - Secondary rate – the employer adjustment

- Future rate covers next 3 years accrual
- Previous funding shortfalls = the Deficit
- Deficits need to be recovered through additional contributions in line with the “recovery plan”

Valuation Report 2016

Valuation Date	31 March 2013	31 March 2016
Past Service Liabilities	(£m)	(£m)
Employees	5,145	6,359
Deferred Pensioners	2,261	3,327
Pensioners	6,501	9,010
Total Liabilities	**13,907**	**18,696**
Assets	**12,590**	**17,325**
Surplus / (Deficit)	**(1,317)**	**(1,371)**
Funding Level	**91%**	**93%**

Primary Rate	Secondary Rates		
1 April 2017 - 31 March 2020	2017/18	2018/19	2019/20
16.7% of pensionable pay	£95m	£99m	£102m

Employer Contributions

- A national cost sharing mechanism was set up for all Public Service Pension Schemes
- This is designed to control the future employer cost
- Central valuation assesses the cost of the scheme and if this increases by more than 2% either:
  - Employee contributions will be adjusted or
  - Benefits will be adjusted

Quiz 1

CARE vs Final Pay

CUMULATIVE PENSIONABLE PAY

- Total of “Actual” Pensionable Pay and/or “Assumed” Pensionable Pay
  - In relevant section of the scheme, in the scheme year, for the job
- Think of it as physical pay and notional pay
  - Real pay and Assumed pay

PENSIONABLE PAY DEFINITION

- "Everything" is pensionable but for:
  - Sums not declared for tax
  - Travelling & Subsistence
  - Bought-out holiday entitlement
  - Payment in lieu of Notice
  - "Please don't leave" payments
  - Lease Cars / Cash Equivalent
  - Payments in consideration of loss of future pensionable payments or benefits
  - Equal Pay Compensation
  - Pay paid by Employer to member on RFSL
  - Returning Officer fees other than:
    - LG elections, Welsh National Assembly, Parliamentary, European

Salary Sacrifice Schemes

- Is salary sacrifice pensionable?
- If specified in the contract as pensionable

- Autumn Statement 2016 clampdown
- From 2017, “perk” being taken away
  - But not all perks
  - Pension (SCAVC)
  - Childcare
  - Cycle-to-work
  - Not cars
  - Accommodation and school fees to April 21 if in place < April 17

ASSUMED PENSIONABLE PAY

- Where a member is
  - On reduced contractual pay or no pay due to sickness
  - On RELEVANT child-related leave
    - Ordinary adoption/maternity
    - Additional adoption/maternity or shared parental leave, receiving some pay
    - Paternity
  - Reserved Forces Service Leave
- Assumed PP drops into cumulatives rather than Actual PP (if any)
- BUT on a KIT day
  - if Actual is higher – Actual drops in
- Employer conts on APP

APP – the calculation

- Calculated at an annual rate
  - Applied during the relevant period as a proportion
- For monthly paid staff:
  - Calculate average of actual PP in **last 3 months**
  - After removing "lump sums"
  - Gross up to a year (e.g. 12/3)
  - If < 3 months pay, use whatever available
- For other than monthly paid staff:
  - Same principle but 12 weeks rather than 3 months
- NB: You're only looking at THAT employment
  - If they've 2, pick the right one
  - If they had a previous job, only pick the current
  - If in employer's opinion the figure calculated is materially lower than that normally received can substitute a higher figure reflecting pay

APP – one example

- Monthly paid employee goes onto half-pay sick partway through Month 4

Actual PP in Month 1 = £1,400

Actual PP in Month 2 = £2,500 (£1k bonus, £100 OT)

Actual PP in Month 3 = £1,400

(£1,400 + £1,500 + £1,400) / 3 * 12) = £17,200

- Employer can add any "regular lump sum" (paid in last 12 months) back in if reasonable expectation it would be paid again while APP applies

APP – proportioning

- Proportion of annual rate of APP most important
- Use the same method you use for "actual pay"
- For 3 days in August this could be:

$$\frac{\text{Annual rate}}{365} \times 3$$

$$\frac{\text{Annual rate}}{12} \times \frac{3}{31}$$

$$\frac{\text{Annual rate}}{12} \times \frac{3}{22}$$

APP – Example

Member on half pay sick from 18/7/2019

Monthly APP = £17,200 / 12 = £1,433.33

July

Actual pay	£1,400	×	17/31	=	£767.74
APP	£1,433.33	×	14/31	=	£647.31
July Cumulative Pensionable Pay					£1,415.05

August

APP	£1,433.33
August Cumulative Pensionable Pay	£1,433.33

Adjusting APP

- One circumstance where APP is later adjusted
- Where APP continues past a 2nd 31st March
  - E.g. long-term sickness
- Adjusted on account of inflation
  - (using Treasury Order)
- Will be adjusted in future years too if APP still applies

Adjusting APP

- Adjustment Example

- Member is off sick with reduced, then nil pay from 1 June 2016 – their APP figure is £18,000 p.a.
- On the 1 April 2017 there is no increase (as the first year)
- On the 1 April 2018 revaluation is applied so the £18,000 figure is increased by 3% to £18,540
- £18,540 / 12 = £1,545 a month from 1 April 2018

50/50 and APP

- A 50/50 section member (1/98) (monthly paid) already on half pay sick drops to **no pay** sick in the middle of August
- They will move into the main section (1/49) from 1 September
- APP as a value will not change but
  - In August APP/12 drops into 50/50 CPP
  - In September, APP/12 drops into Main CPP

APP and Reservists

- If staying in the LGPS
- APP drops into cumulatives during whole period of leave
  - Ees and Ers conts paid to the Fund direct from MoD
- So the employer adds APP into cumulatives
  - Main or 50/50 throughout
- And if paying the reservist whilst on leave, the employer
  - Deducts no contributions
  - Pays no contributions to the Fund
  - Doesn’t drop actual pay into cumulatives

CARE ACCOUNTS – HOW THEY WORK

- A Final Salary scheme provides a pension based on:
  - Accrual rate x membership x ‘Final Pay’
  - E.g. 1/60
- Final pay is the last 365 days
- So benefits are not known until the end!

- Those on a career path subsidised by those who are not

CARE ACCOUNTS – HOW THEY WORK

- All public service pension schemes moved to CARE basis from 1 April 2015 except
- LGPS (England and Wales) – 1 April 2014

- CARE pensions are based on pay over a member's career which is revalued
- Current accrual is 1/49
- So, does a history of pay need to be provided on leaving…?

CARE ACCOUNTS – HOW THEY WORK

- Alternative approach – a Pension Account

- Scheme year is 1 April to 31 March
- Each year pay is divided by 49 (or 98)
- Revaluation applied on 1 April to the total pension account as at 31 March
- Based on CPI increase to previous September – e.g. CPI was 3% in Sept 17 so revaluation is 3% from 1 April

Example Pension Account

Scheme Year ending on	Cumulative Pensionable Pay in year	Accrual Rate	Earned Pension	Carry forward from previous scheme year	Total	Revaluation on 1st April	Total Pension to carry forward
31/3/2015	£8,900	1/49	£181.63	£0	£181.63	1.2%	£183.81
31/3/2016	£4,500	1/98	£45.92	-		-	-
31/3/2016	£5,200	1/49	£106.12	£183.81	£335.85	-0.1%	£335.51
31/3/2017	£9,700	1/49	£197.96	£335.51	£533.47	1%	£538.80
31/3/2018	£10,600	1/49	£216.33	£538.80	£755.13	3%	£777.78

THE BASICS OF FINAL PAY CALCS

- Total pay (2008 Scheme definition) on which contributions were paid, or were deemed to be paid, in the last year of employment
  - Use w/t equivalent for part-timers
- Best of the last 3 years (“anniversary dates”)
- Leave, Gaps or Part-years
  - Simple maths “365/n”
- Illness/Injury
- Fees
- 2008 Benefits Regulation Ten

Mrs Sally Final

Mrs Final retires at age 60 on 31 August 2018.

She was whole-time, monthly paid and her rates of pay over the last three years were:

1 September 2015	£15,000 p.a.
1 April 2016	£15,600 p.a.
1 April 2017	£16,440 p.a.
1 April 2018	£17,400 p.a.

Final Year:

1 Sept 2017 to 31 March 2018	£16,440 x 7/12 =	£ 9,590
1 April 2018 to 31 August 2018	£17,400 x 5/12 =	£ 7,250
		£16,840

Mrs Final - continued

Year –1

1 Sept 2016 to 31 March 2017	£15,600 x 7/12 =	£ 9,100
1 April 2017 to 31 August 2017	£16,440 x 5/12 =	£ 6,850
		£15,950

Year –2

1 Sept 2015 to 31 March 2016	£15,000 x 7/12 =	£ 8,750
1 April 2016 to 31 August 2016	£15,600 x 5/12 =	£ 6,500
		£15,250

The best of her last three years is her final year, so her final pay is **£16,840**.

Alternative Method?

Retires at age 60 on 31 August 2018

1 Sept 17 to 31 March 18	£16,440 x 212/365	=	£ 9,548.71
1 April 18 to 31 August 18	£17,400 x 153/365	=	£ 7,293.70
			£16,842.41

BUT

CALCULATION OF FINAL PAY SHOULD BE BASED ON MONIES PAID TO THE MEMBER – so method one is the correct one

Part-time members

- Membership accrued as a fraction (to 31/3/14)
- Final Pay
  – "In the case of part-time employment, the final pay is the pay which would have been paid for a single comparable whole-time employment"

- It's not always easy to "scale up" or find a whole-time comparator

A typical part-timer….?

Venus Williams leaves 31 December 2017

She works 20 hours a week out of a possible 37

She receives part-time pay as follows:

1 January 2017 to 31 March 2017 at £8,000 p.a.

1 April 2017 to 31 December 2017 at £8,600 p.a.

Therefore:

£8,000 x 3/12 = £2,000.00

£8,600 x 9/12 = £6,450.00

£8,450.00 x 37/20 = **£15,632.50**

And her sister…..

Serena Williams leaves 31 December 2017

She works 20 hours a week out of a possible 37 until

1 July 2017 when she reduces to 16 hours per week.

She receives part-time pay as follows:

1 January 2017 to 31 March 2017 at	£8,000 p.a.
1 April 2017 to 31 June 2017 at	£8,600 p.a.
1 July 2017 to 31 December 2017 at	£6,880 p.a.

Therefore:

£8,000	x	3/12	= £2,000.00	x	37/20	=	£ 3,700.00
£8,600	x	3/12	= £2,150.00	x	37/20	=	£ 3,977.50
£6,880	x	6/12	= £3,440.00	x	37/16	=	£ 7,955.00
							£15,632.50

Term-time members

- A T/T working full-time for 44 weeks of the year and earning £20,000 **could** have a final pay of:
  - £20,000 x 52/44 = £23,636.36
  - With membership to 31/03/14 accruing at 44/52nds

- Or they could have this approach as an alternative:
  - Membership = 100% of whole time
  - Pay = £20,000

- Each administering authority goes its own way!

Variable-time members (Fees)

- Average over final 3 years
  - If less than 3 years then average over that lesser period
- Employer has discretion to substitute with average of “3 in 10”
  - (years ending 31 March)
- Typical fees members – returning officer, registrar

Pay Protection (Ben Reg Ten)

- Reduction in pay during continuous period of employment
  - but not as a result of ceasing a temporary post
  - or flexible retirement
- Because:
  - Chooses to carry on in lower grade / less responsibility
  - Equal pay achievement with other employees
  - Job evaluation
  - Loss of / reduction in pensionable emoluments
  - Rate of increase in future pay restricted
- Occurs in last 10 years and post 31/3/08
- Can choose best average consecutive 3 years in the last 13 ending on a 31st March

Claire Vision leaves 30/9/2018

Year to 30/9/18	£17,250
Year to 31/3/18	£16,920
Year to 30/9/17	£16,470
Year to 31/3/17	£16,020
Year to 30/9/16	£15,660
Year to 31/3/16	£15,300
Year to 31/3/15	£14,760
Year to 31/3/14	£14,247
Year to 31/3/13	£17,850
Year to 31/3/12	£16,764
Year to 31/3/11	£15,981
Year to 31/3/10	£15,183
Year to 31/3/09	£14,418
Year to 31/3/08	£13,890
Year to 31/3/07	£13,290
Year to 31/3/06	£12,750

Claire Vision – leaves 30/9/2018

Last 3 years pay

01/10/2017 to 30/09/2018	£17,250.00
01/10/2016 to 30/09/2017	£16,470.00
01/10/2015 to 30/09/2016	£15,660.00

Three year averages

01/04/2015 to 31/03/2018	£16,080		£16,080.00
01/04/2014 to 31/03/2017	£15,360	3.00%	£15,820.80
01/04/2013 to 31/03/2016	£14,769	4.03%	£15,364.19
01/04/2012 to 31/03/2015	£15,619	4.03%	£16,248.45
01/04/2011 to 31/03/2014	£16,287	5.28%	£17,146.95
01/04/2010 to 31/03/2013	£16,865	8.12%	£18,234.44
01/04/2009 to 31/03/2012	£15,976	10.50%	£17,190.27
01/04/2008 to 31/03/2011	£15,194	16.25%	£17,673.66
01/04/2007 to 31/03/2010	£14,497	19.85%	£17,435.54
01/04/2006 to 31/03/2009	£13,866	19.85%	£17,150.86

Annual Allowance

- The limit on pension savings in any year
- Year from 6/4 to 5/4
- Current limit is £40,000
- For LGPS AA is the growth in pension

16 x pension + lump sum at end of year

less

16 x pension + lump sum at start of year + inflation

Annual Allowance - Example

- **Freda is promoted – pay in 16/17: £72,000 increased in 17/18: £80,000. She has 25 years service at 31/03/2018.**

- 5/4/17 Pension: £24,204 Retirement Grant: £37,800

- 5/4/18 Pension: £28,200 Retirement Grant: £42,000

Annual Allowance - Example

- Closing value: (16 x £28,200) + £42,000 = £493,200
- **less**
- Opening value: (16 x £24,204) + £37,800 = £425,064 + 1% CPI = £429,315
- £493,200 - £429,315 = £63,885
- AA for 2017/18 of £40,000 exceeded by £23,885

- Can use up to 3 years unused carry forward to offset
- Member must declare through self-assessment
- If charge > £2,000 can ask for “scheme pays”

Annual Allowance

- **Members earning over £110,000 possibly affected by Tapered AA – if pay plus AA greater than £150,000 AA tapered down £1 for every £2 in excess**

- **Member's responsibility**
- **Employer Role?**
  - **Provide Pay Calculations on request**
  - **Highlight potential on increases in pay**
  - **Raise awareness**

Quiz 2

Absences and Additional Conts

Child-related leave

- During Ordinary Maternity/Parental/Adoption Leave, and
- Paid Shared Parental Leave / Paid Additional Maternity/Adoption Leave
- Member accrues $1/49^{th}$ (or $1/98^{th}$ if in 50/50) of their “assumed pensionable pay” rather than their “actual” pensionable pay
  - But on KIT days they get the actual pensionable pay if it is higher
- Employer contributions based on APP

Child-related leave

- Maternity starts on 16/4/2019
- Work 01/04/19 to 15/04/19

- OML 16/04/19 to 15/10/19

- AML paid 16/10/19 to 15/01/20

- AML unpaid 16/1/20 to 15/04/20

APC?

- KIT days (x 12)

Authorised unpaid leave

Can be counted for pension through APC purchase

Maximum period is 3 years

- Scheme members will pay an APC if they want to
  - Based on APP “lost” during the absence
- If member “elects within 30 days”
  - Employer will pay 2/3rds of the cost of the APC
  - (known as a Shared Cost APC)
- Can pay by one off payment or regular payment

- As now, KIT days “count” anyway

Trade Dispute

- After return members can pay an APC if they wish to replace the lost pension
  - Based on pay “lost” whilst on strike
- No employer contribution during strike
- No employer contribution if the member “buys back”
  - Member pays the full cost

Reserved Forces Service Leave

- If member stays in the LGPS:

- Assumed Pensionable Pay is dropped into cumulatives
  - i.e. the Reservist accrues pension as if still at work

- Employer tells MoD of APP figure and ees & ers contribution due

- MoD deducts ees contribution from Reservist
  - and pays over both ees and ers directly to the administering authority

Sickness / Injury

- Employee pays contributions on actual pay
  - (before deduction for SSP or IB)
  - But gets pension based on APP
- Employer:
  - Pays contribution on APP

Unauthorised Leave

- Employee no right to buy the “lost” pension

Additional contracts during absences

- APCs – must pay, nil-pay sick – deemed paid
- SCAPCs – must pay, nil-pay sick – deemed paid
- AVCs – may continue, must pay life cover
- SCAVCs – may continue, must pay life cover
- ARCs - must pay, nil-pay sick – deemed paid
- ASBCs – must pay, nil-pay sick – deemed paid
- "Added Years" - must pay, nil-pay sick – deemed paid
- "Preston" – must pay
- Minefield!
  - Covered in HR and Payroll Guides on-line at www.lgpsregs.org

Additional Contributions

ADDITIONAL PENSION CONTRIBUTIONS (APC)

- Possible to buy extra pension up to £7,026 p.a. (as at 1 April 2019 – increased each year with CPI)
- Whole cost to Employee
  - to buy extra or
  - to cover pension lost through strike action
- Shared Cost
  - typically on leave of absences - bar strike
  - can be voluntary SCAPC through employer discretion
- Whole cost to Employer
  - again through employer discretion

The mechanics of APCs

- APCs can be one off or regular
  - NB: Employer whole-cost must be settled up-front
- SoS Guidance contains all the cash amounts
- Contract necessary (form to AA, copied to Employer)
- There is an internet modeller most Funds use
  - Part of www.lgpsmember.org
- Administering authority can insist on medical, and on a lump sum if regular contributions not practicable
- Pension bought each scheme year is credited to active account
- APCs do not provide a Survivor’s benefit

The mechanics of APCs

- https://lgpsmember.org/more/apc/index.php

for you, for now, for the future
lgps

The Local Government Pension Scheme

Welcome to the national website for members of the LGPS in England and Wales

Google Custom Search

Go Back

Additional Pension Contributions

You can pay additional pension contributions (APCs) to boost your pension at retirement or to cover lost pension due to authorised unpaid leave or industrial action.

The maximum amount of additional pension you can buy is £7026 per year (2019/20 rates). This figure will increase each year in line with the cost of living.

Below are two calculators which will allow you to work out the cost of buying either extra pension or lost pension. If you are unsure about which calculator to use please use the flowchart on the right hand side of this page to help you.

Which APC is right for me? Click here to open flowchart

You can only use this calculator to buy lost pension if all of your period of absence was after 31st March 2014.

Buy Extra Pension

quote and apply

Why use the extra pension option?
Use this option if you want to boost your pension benefits at retirement. You must be in the main section of the Scheme to increase your benefits in this way. This option is not available if you are in the 50/50 section of the scheme.

You can choose to buy extra pension by spreading payment over a number of complete years (unless you are within 1 year of your Normal Pension Age) or by making a one-off payment. Your employer can choose to contribute towards the cost of the extra pension. If this is the case you must obtain written confirmation of the share that they have agreed to pay before making your application to buy APCs.

Please ensure you read the terms and conditions before making an application for APCs

terms and conditions

Buy Lost Pension

quote and apply

Why use the lost pension option?
If you are absent from work as a result of industrial action, authorised unpaid leave or unpaid additional child related leave this period will not count towards your pension. Use this option if you wish to buy back the pension that you have lost during this time. You can do this regardless of whether you are in the main or 50/50 section of the Scheme.

You can choose to buy the lost pension by spreading payment over a number of complete years (unless you are within 1 year of your Normal Pension Age) or by making a one-off payment. If you elect to cover the break within 30 days of returning to work (or such longer period as your employer may allow) your employer will meet two thirds of the cost, unless the absence is due to industrial action.

Please ensure you read the terms and conditions before making an application for APCs

terms and conditions

The mechanics of APCs

Buy Extra Pension - Get a Quote

Click where you see this image to display help

To get a quote enter the details for calculation below then choose your payment method - EITHER regular payments OR a one off lump sum. For your chosen method enter EITHER (a) the extra annual pension you wish to buy OR (b) the amount that you can afford to pay. DO NOT ENTER BOTH. If you choose regular payments please also enter the number of years over which you wish to pay APCs and your pay frequency.

Details for calculation

1. Gender	female
2. Date of Birth	01 / 01 / 1980
3. Section of scheme	main section
4. Percentage your employer has agreed to pay	0 %

Regular Payments OR **Lump Sum Payment**

Regular Payments		Lump Sum Payment	
5(a). Pension £ OR		8(a). Pension £ OR	
5(b). Amount £	100	8(b). Lump Sum £	
6. Pay frequency	monthly	9. Payment method	-- select -
7. Years (whole)	10		
Get results		Get results	

ERRORS/WARNINGS:
Errors below must be cleared before a quote can be obtained

Results

Your Normal Pension Age (NPA)	68
Total extra pension to be bought	**£ 1,030.93**
Years of agreement	10
Pension added to account each year of agreement	£ 103.09
Gross total Regular cost of pension being bought	£ 100.00
Regular Cost to employer	£ 0.00
Regular Cost to member before tax relief	**£ 100.00**

Based on a gross Regular cost of £9.70 per £100 of extra pension

Reset quote | Print quote

The mechanics of APCs

- If a member:
- Leaves before purchase completed - the pro-rated amount is added to the pension account
- Retires early before purchase is completed on Ill health grounds with enhancement – e.g. a Tier one or two pension
  - APC is deemed paid for
  - APC is paid unreduced
- Retires on a Tier three ill health pension
  - APC purchase is pro-rated due to early leaving
  - APC is paid unreduced for the period of temporary payment
- Retires on any other grounds
  - APC purchase is pro-rated due to early leaving
  - Early retirement reductions apply – unless the employer awarded the pension **and** retirement is on Redundancy or Efficiency grounds

Additional Voluntary Contributions (AVCs)

- Any active member can pay AVCs
- To AA selected provider
- Employer may set up a Shared-Cost AVC
  - pay anywhere from 1-99% of the cost)
- AVC Contracts
  - "100%" limit on contributions
  - After NI and main scheme contributions deducted!
  - Pre 14 contracts **were** limited to 50% but are no longer
- Payover
  - Same rules as member contributions (19^{th} / 22^{nd})
  - Invested as DC – so timeliness is an issue

Other Regulatory Requirements – “Actives”

OBLIGATIONS TO PROVIDE INFO

- Legally the employer must:
- *inform the … administering authority of all decisions made by the employer under regulation 72 (first instance decisions) or by an adjudicator appointed by the Scheme employer under regulation 74 (applications for adjudication of disagreements) concerning members; and*
- *give that authority such other information as it requires for discharging its Scheme functions.*

OBLIGATIONS TO PROVIDE INFO

- *An administering authority may give a written notice under regulation 70 of the 2013 Regulations (additional costs arising from Scheme employer’s level of performance) where the additional costs incurred were as a result of the employer’s level of performance in carrying out functions under the Administration or Benefits Regulations.*

Membership related stuff

- Even though going forward it’s pay to calculate CARE pots, the AA still needs info on:
  - Changes in contractual hours / contractual weeks
  - Breaks not covered by APCs
- For anyone with pre-14 membership, because of:-
  - Underpin protection
  - Added years contracts
  - Ill-health enhancements for pre 1/4/2008 joiners
  - Rule of 85

PAYOVER OF CONTRIBUTIONS

- Admin Authority set the timescale
- Employees must be paid over before 19th / 22nd
- Every pay-over should be accompanied by a statement !
- From April 2015 late pay over of employee contributions reportable to tPR (if material)
- Employer contributions to be paid over by a deadline set by the Fund
  - Including, where relevant, contributions towards administration costs in consequence of poor performance… in the Admin Authority's opinion

END OF YEAR RETURNS

- Format specified by the Admin Authority
- Scheme Year ending 31/3
- Statutory time limit is 3 months after that – though AA may ask for this earlier
- Data is used to:
  - Run benefit statements (31 August deadline!)
  - Run Pension Saving Statements (6 Oct)
  - Create CARE accrual for that year (if annual interfaces)
  - Validate against data held
  - Run the Valuation etc.

Typical Data Requirements

- The employee’s name and gender;
- the employee's date of birth and national insurance number;
- a unique reference number relating to each employment in which the employee has been an active member;

- the dates of active membership;
- the pensionable pay in the main section;
- the pensionable pay in the 50/50 section;
- employee contributions paid while in the main section;
- employee contributions paid while in the 50/50 section;
- employer contributions paid on the employee’s pensionable pay;
- employee additional pension contributions (APCs);
- employer additional pension contributions (APCs);
- employee in house AVC contributions; and
- employer in house AVC contributions

Typical Data Requirements

- Plus for Pre 14 members
  - "Pre 2014" data – e.g. Final Pay
  - Easier to provide for all?
  - AA requirements

- Sample format on
  - Pages 6/7
  - Expanded on in Payroll Guide

Quiz 3

Types of Retirement

Retirement form for early/normal/late retirement

P71

Version 3

BLACK INK ONLY

Employer:

Please see Notes for guidance for help filling in this form:
*Mandatory fields are marked with **

1. Member's details **(Complete in all cases)**

Title:	Surname*:	Forename(s)*:
Address*:		Home email: (If known)
Postcode*:		Contact number: (Home/Mobile if known)
National Insurance number*:		Payroll number*:
Date of birth*:		Retirement date*:

Which section of the Scheme is the member in?*
(Please tick the one that applies) ☐ Main section ☐ 50/50 option

Job identifier: *(only complete where member has more than 1 job that they do for you as their employer)*
Job title: Place of work: Hours:

2. Type of retirement **(Complete in all cases)**

This member is now entitled to immediate payment of benefits, as shown below: (Please tick the one that applies)*

a) **Normal retirement:** ☐
[at member's normal pension age]

Normal pension age (NPA) is linked to the member's State pension age but with a minimum of age 65. If the member is NPA at retirement then it is a normal retirement, if the member is over their NPA then it is a late retirement.

b) **Late retirement:** ☐
[after member's normal pension age]

c) **Early retirement via employer's redundancy/efficiency scheme:**
[no early retirement reductions in ordinary Scheme benefits]
☐ Redundancy
☐ Efficiency

d) **Early retirement at member's choice:** ☐
[right to retire 55-59]
- GMPF assume the member has been given choice of deferred benefits or early retirement and member has elected for early retirement
- 85 rule protection (where applicable) won't apply to this category unless you switch it back on

e) **Early retirement at member's choice:** ☐
[age 60 onwards]
- GMPF assume the member has been given choice of deferred benefits or early retirement and member has elected for early retirement
- 85 rule protection (where applicable) is automatic for this category

Please give details below of any waivers in early retirement reductions, or of 85 rule protections you wish to offer. *Please tick as applicable.*

Waive reductions: ☐

Walvers may apply to pre, post or both 2014 benefits. You may waive the reductions in full or only part – *please see notes for guidance section 2*

If you have ticked waive reductions, please now tick if :
Full waiver: ☐ or Partial waiver: ☐

If you have ticked partial waiver please provide details:

If d) 'right to retire 55-59' applies, has the 85 rule been 'switched on'? **Yes:** ☐ **No:** ☐

P71 form - Summary member details		**(Complete in case pages get separated)**	
Surname*:		Forename(s)*:	
National insurance number*:		Payroll number*:	
3. Extra pension/AVCs		**(Complete if applicable)**	
We have given extra annual pension of: [Only **redundancy/ efficiency** cases]	£	Annual ARCs paid in tax year of leaving:	£
Regular AVCs paid in tax year of leaving:	£	**Extra life cover** AVCs paid in tax year of leaving:	£
Annual APCs paid in tax year of leaving:	£	**Shared cost** APCs paid in tax year of leaving:	£

4. Pay and tax details **(Complete sections applicable)**

A. **Final salary pay*** *(Complete only for members with pre-1 April 2014 membership (including where member has aggregated pre-1 April 2014 membership) and for part-time members show the **FULL TIME** equivalent pay and the **ACTUAL** pay)*

For period ending: ______ **Pay is:** £

For part time member, actual pay for this period is: £

Optional remarks for A:

B. **Career average pay*** *(Pensionable pay (as defined under the 2014 Scheme rules) received during the Scheme year (01/04 to 31/03) including assumed pay (this is referred to as assumed pensionable pay in the regulations and in LGA guidance) treated as having been received. Where a member retires part way through a Scheme year this is the members pay from the 01/04 up to and including the retirement date. Whether the member works part-time or full-time, you should provide the pay they have received during the period)*

Cumulative pensionable pay in the main section of the Scheme

From: ______ **To:** ______ **Pay is:** £

From: ______ **To:** ______ **Pay is:** £

Have you included an amount of assumed pay in the cumulative pensionable pay? **Yes:** ☐ **No:** ☐

Cumulative pensionable pay in the 50/50 option of the Scheme

From: ______ **To:** ______ **Pay is:** £

From: ______ **To:** ______ **Pay is:** £

Have you included an amount of assumed pay in the cumulative pensionable pay? **Yes:** ☐ **No:** ☐

Optional remarks for B:

Tax code*: ______ **P45** Attached: ☐ To follow: ☐ Not available: ☐

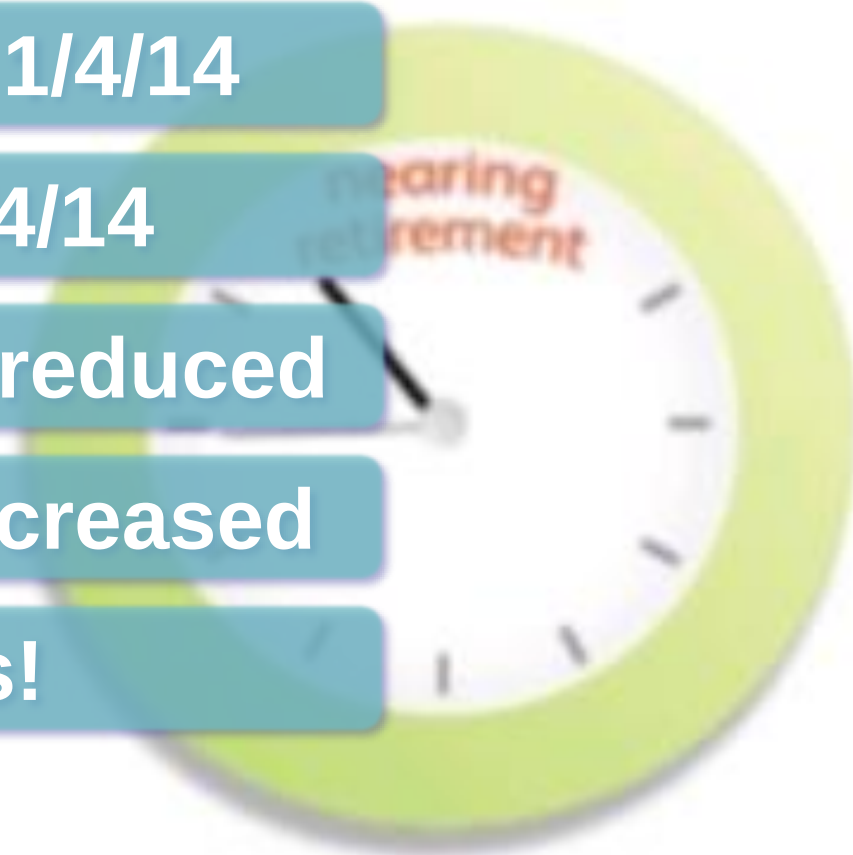
5. Certified correct by authorised officer	**(Complete in all cases)**
Signature*:	**Date***:

Please attach P5 for any final changes to member's record as appropriate *(see notes for guidance for P5 for further details)*. Alternatively tell us in the optional remarks boxes in section 4 of this form i.e. if a break in service, providing the date(s) of the absence and the type of absence. Please see 'Any final changes to member's record' section where the underpin applies.

Pensions Office stamp:

Normal pension age (NPA)

- State Pension Age from 1/4/14
- Age 65 for benefits to 1/4/14
- Retire before = benefits reduced
- Retire after = benefits increased
- Some pre 14 protections!



NORMAL RETIREMENT (at NPA)

Roy retired at age 65 on 31 March 2008 with 4 years service

Pension

4 years ✖ 1/80 ✖ £22,497 = £1,124.85

Lump Sum

4 years ✖ 3/80 ✖ £22,497 = £3,374.55

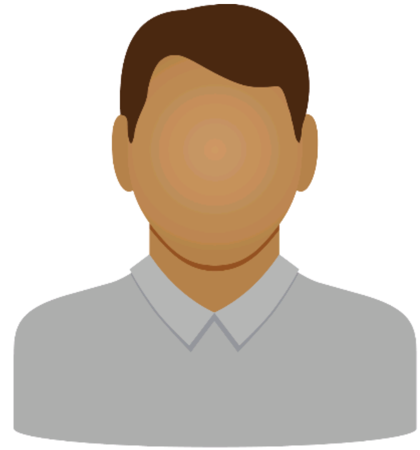
NORMAL RETIREMENT (B)

Rae retires at age 65 on 31 March 2014

Pension

4 years ✖ **1/60** ✖ **£22,497** = **£1,499.80**

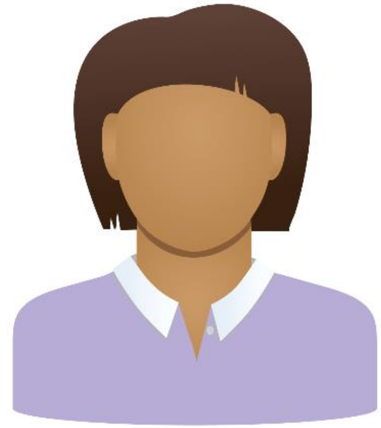
NORMAL RETIREMENT (C)



Raj retires at age 65 on 31/3/18

Scheme Year ending on	Cumulative Pensionable Pay in year	Accrual Rate	Earned Pension	Carry forward from previous scheme year	Total	Revaluation on 1st April	Total Pension to carry forward
31/3/2015	£20,000	1/49	£408.16	£0	£408.16	1.2%	£413.06
31/3/2016	£20,800	1/49	£424.49	£413.06	£837.55	-0.1%	£836.71
31/3/2017	£21,632	1/49	£441.47	£836.71	£1,278.18	1%	£1,290.96
31/3/2018	£22,497	1/49	£459.12	£1,290.96	£1,750.08	3%	£1,802.58

NORMAL RETIREMENT (D)



Ros retires at age 65 on 31/3/18

4 years ✖ 1/80 ✖ £22,497 = £1,124.85

4 years ✖ 1/60 ✖ £22,497 = £1,499.80

CARE Account at 1/4/18 = £1,802.58

Total Pension Payable = £4,427.23

4 years ✖ 3/80 ✖ £22,497 = £3,374.55

LATE RETIREMENT

- Pension build up carries on after NPA (75 max)
- Actuarially increased pension on late retirement
  - Pension 0.01%,
  - Lump Sum 0.001%
  - Both per day SIMPLE
- Different tranches of service can have different NPAs
- Maximum increase 36.5% pension, 3.65% lump sum
- Different increase rate after 1 September 19

ILL-HEALTH RETIREMENT

2 years service

Employer terminates employment

Grounds of infirmity mind/body

Certified by IR Medical Practitioner

DR’s opinion – employer decision

ILL-HEALTH RETIREMENT

To be entitled to a benefit:

"The member is, as a result of ill-health or infirmity of mind or body, permanently incapable of discharging efficiently the duties of the employment the member was engaged in, and

The member, as a result of ill-health or infirmity of mind or body, is not immediately capable of undertaking any gainful employment."

ILL-HEALTH RETIREMENT

GAINFUL EMPLOYMENT	
30 hours	52 weeks

Tier 1	unlikely to be capable	before NPA
Tier 2	likely to be capable	3 years to NPA
Tier 3	likely to be capable	within 3 years

A note on decision making

- Ill health decisions can be highly contentious
- Highest proportion of Pension Ombudsman complaints
- Essential to show clear and supported decisions – how?
  - Request narrative report from IRMP
  - Question where reasoning not clear
  - Has any evidence not been taken into account – with no explanation?

Tier 1 and Tier 2 – how much?

Benefits to leaving

Paid unreduced

Enhancement to NPA

Tier 1	**100%**	**APP x 1/49 x Service to NPA**
Tier 2	**25%**	**APP x 1/49 x service to NPA**

APP can be inflated if IRMP certifies

Tier 3 – how much?

Benefits to leaving

Paid unreduced – but temporary (max 3 years)

No enhancement

Stops on gainful employment

Member informs employer if employment gained

Member must answer any "reasonable questions"

Employer decides if it is gainful

Once stopped, payable at NPA (or from 55 on – reduced)

Reviewable benefit

The Third Tier Review

18 month review

Is the member still capable of gainful employment within 3 years?

Opinion

No

Uplift to tier 2 from date of review

Yes

Pension ceases from date capable

The Third Tier Review

- After cessation member can still request review within 3 years
- Employer can uplift to a tier 2 if IRMP certifies

Statutory Guidance

Employers and IRMP must follow the Guidance

2014 Scheme guidance issued 17 September 2014

Note there are 2 sets

One to be used for the 2014 Scheme

And one for the earlier schemes

http://lgpsregs.org/schemeregs/lgpsregs2013.php under Statutory guidance relating to the LGPS.

Ill Health costs

- Pension is released early unreduced – therefore can be very expensive
- Any charge must be paid by employer into the pension fund
- Often picked up through the employer contribution rate
- Ill health insurance?

EARLY RETIREMENT & ACTUARIAL REDUCTIONS

- Members can take benefits from age 55 (if left employment or flexible retirement)
- Reduced for early payment based on years and days from retirement to NPA
- Different periods of membership can have different NPAs (pre and post April 2014)
- I.e. 65 and SPa

EARLY RETIREMENT & ACTUARIAL REDUCTIONS

Years Early	Pension Reduction (%) - Males	Pension Reduction (%) - Females	Retirement Grant Reduction (%) - All Members
0	0.0%	0.0%	0.0%
1	5.1%	5.1%	2.3%
2	9.9%	9.9%	4.6%
3	14.3%	14.3%	6.9%
4	18.4%	18.4%	9.1%
5	22.2%	22.2%	11.2%
6	25.7%	25.7%	13.3%
7	29.0%	29.0%	15.3%
8	32.1%	32.1%	17.3%
9	35.0%	35.0%	19.2%
10	37.7%	37.7%	21.1%
11	41.6%	41.6%	
12	44.0%	44.0%	
13	46.3%	46.3%	

The 85 Year Rule

- Invented in 1998, allowed retirement 60-65 with no reduction if

Age + **Membership** = **85 or more**

- If rule not met, reduction based on "distance" to earlier of:
  - age 65
  - 85 year rule date

- 1 October 2006 the 85 Year Rule went, but…

85 Year Rule protections

- Are you ready for this?

Parts classification

Part A	Membership up to 31 March 2008
Part B1	Membership from 1 April 2008 to 31 March 2014
Part B2	Membership from 1 April 2014 to 31 March 2016
Part C	Membership from 1 April 2016 to 31 March 2020
Part D1	Membership from 1 April 2020 (including D1 benefits defined in the notes*)
Part D2	Membership from 1 April 2020 (including D2 benefits defined in the notes*)

* The notes are a reference to extensive notes incorporated in the 85 Year Rule Paper available on-line at www.lgpsregs.org

Group classification

Group 1	A member who was an active member prior to 1st October 2006, and born on 31 March 1956 or earlier
Group 2	A member who was an active member prior to 1st October 2006, and born between 1 April 1956 and 31 March 1960 inclusive and who would reach their Critical Retirement Age by 31st March 2020
Group 3	A member who was an active member prior to 1st October 2006 who is not a Group 1 or Group 2 member
Group 4	A member who was not a member prior to 1st October 2006

	Group 1	Group 2	Group 3	Group 4
Part A Pre 31/3/08	CRA (can't be later than 65)	CRA (can't be later than 65)	CRA (can't be later than 65)	65
Part B1 1/4/08 – 31/3/14	CRA (can't be later than 65)	Taper (proportion of normal % reduction to 65)	65	65
Part B2 1/4/14 – 31/3/16	CRA (can't be later than 65)	Taper (proportion of normal % reduction to 65)	SPA (min 65)	SPA (min 65)
Part C 1/4/16 – 31/3/20	SPA (min 65)	Taper (proportion of normal % reduction to 65)	SPA (min 65)	SPA (min 65)
Part D1 Post 20	SPA	SPA	SPA	SPA
Part D2 Post 20	65	65	65	65

"SWITCHING BACK ON" THE 85 YEAR RULE

- If voluntary retirement between age 55 - 59/364 = 85 Year Rule "switched off" (applies from age 60)

- Employer can "switch back on" the Rule of 85
  - A discretion subject to a written policy
- If does so, rule can apply from 55 onwards (employer meets any strain on Fund cost)
- If doesn't do so, member meets actuarial strain via actuarial reduction to benefits

Pension Strain

- “Capital Cost of Early Retirement”
- Pension Fund expects to pay out benefits at
  - NRA/NPA, or
  - Age 60-65 when entitled to unreduced benefits
- Actuarial Reduction takes care of strain if the benefits are paid out earlier?
  - Yes age 60+
  - Yes age 55-59 (but only if 85 Year Rule is OFF)

The Calculation of Pension Strain

- Money needed to provide a pension at NPA is not enough if pension paid earlier
  - As pension will be paid longer
  - Less time to gain returns
- So - retire before NPA – pension reduced or
- Pension Strain cost to employer
- Actuarial calculations

Flexible retirement

- Ageing Society
- Demographic Time-bomb
- Flexible retirement seen as a solution
  - Introduced following ‘tax changes’ in 2006
- From Age 55 onwards, flexible retirement in LGPS allowed if
  - the employer consents, and
  - there has been a reduction in hours, or
  - a reduction in grade
- Employer must have a policy, and can set parameters

Flexible Retirement

- Actuarial reductions may apply
  - Note the 85 Year Rule is not “switched off”
- Employer has power to waive part or all of any actuarial reduction
- Partial Drawing of Benefits allowed as follows:
  - ALL pre-1/4/08
  - ALL, SOME or NONE of 1/4/08 – 31/3/14
  - ALL, SOME or NONE of 1/4/14 +
  - Certain “additional benefits” must be drawn, others a choice of ALL or NONE
- Member remains in the scheme in continuing role

WAIVING ACTUARIAL REDUCTIONS

- Flexible Retirement
  - All or part of the reduction can be waived
- Historically, all non-flexible
  - Allowed on compassionate grounds only
  - (all of the reduction had to be waived)
- But from 1 April 2014:

From 1 April 2014

- Group 1 member
  - All reduction for pre-16 benefits on compassionate grounds only
  - All **or some** of the reduction for post-16 benefits on **any** grounds
- Group 2 member
  - All reduction for pre-20 benefits on compassionate grounds only
  - All **or some** of the reduction for post-20 benefits on **any** grounds
- Group 3 or 4 member
  - All reduction for pre-14 benefits on compassionate grounds only
  - All **or some** of the reduction for post-14 benefits on **any** grounds
- NB: Discretions apply equally to deferred members and suspended 3rd Tier ill-health retirees

REDUNDANCY AND EFFICIENCY

- **ENTITLEMENT** (if aged 55+)
  - Redundancy (Voluntary or Compulsory)
  - Efficiency
- Benefits released unreduced
- Settlement (Compromise) Agreements
  - Inalienability of Occupational Pension
- Pension Strain
  - Can be very high!
  - Request a quote from AA

EXIT PAYMENT REFORMS

- Exit Payment Recovery
  - £80,000+ salary, returns to public with 12 months = pay back some/all of the pay-off (includes strain)
- Exit Payment Cap
  - Will restrict total exit payments to £95,000
  - But not to all employers in the LGPS
  - And initially only in England
- Delayed several times, now under consultation

FURTHER EXIT PAYMENT REFORMS

- Changes the way exit payments can be calculated
- Proposals summed up as follows:
  - Max 3 weeks pay per year of service
  - Max 15 months pay
  - Max salary on which exit payment is based (£80k?)
  - Taper for those near NPA
  - Limit or end employer-funded top-ups
    - Cap to no more than redundancy lump sum
    - Remove facility or offer great flexibility as to their availability
    - Increase minimum retirement age closer to NPA

Quiz 4

Early Leavers

WHAT HAPPENS?

- “2 Year Vesting” from 1 April 2014
  - 2 years’ membership (or less than 2 years but has transferred-in from another pension scheme) gives entitlement to Deferred Benefits

- Less than 2 years – refund entitlement

Date of Payment

- Pre-14 leavers payable from NRD / NPA
  - –According to the “earlier schemes” rules
- Post-14 leavers payable from new NPA
- Options to take them early or late

TAKING DEFERRED BENEFITS EARLY

- Ill-Health – pre-1/4/08 leaver
  - Application to former employer
  - Can they do their old job? Can they do any job ?

- Ill-Health – post-31/3/08, pre-1/4/14 leaver
  - Application to former employer (Regs silent)
  - Can they do their old job ?
  - Which Tier would they fall into? (released if 1 or 2 only)

- Ill-Health – post-31/3/14 leaver
  - Application to former employer
  - Can they do their old job ?
  - Not capable of gainful employment for at least 3 years?

And from age 55?

- Leavers from 1/4/2008
  - Can ask AA for them from age 55
  - 85 Year rule is switched off unless employer agrees
  - Employer can waive reductions on “compassionate grounds” – for pre 14, or any grounds post 14 (unprotected)
- Leavers 1/4/1998 to 31/3/2008
  - Can ask AA for them from age 55
  - Can ask employer for “consent” to draw them from age 50
- Leavers before 1/4/1998
  - Can ask from age 50 but only on Compassionate Grounds
- Note: Employer has additional ability to waive actuarial reductions

- But tax implications warning if released before age 55

Other Areas for Consideration

NOTIFYING ALL LEAVERS OF THEIR BENEFIT ENTITLEMENTS

- Admin Authority decides any question regarding:
  - *previous service… crediting of additional pension… or amount of any benefit…*
- Employer decides
  - *any question concerning any other matter relating to the person's rights or liabilities under the Scheme.*

NOTIFYING ALL LEAVERS OF THEIR BENEFIT ENTITLEMENTS

- First Instance Decisions
  - *As soon as is reasonably practicable*
  - Entitlement to Benefit
  - Amount of Benefit
- Notification of those Decisions
  - *As soon as is reasonably practicable*
- BUT Overriding Legislation gives:
  - 2 months – Early Leavers “Rights and Options”
  - 1 month when a benefit becomes payable (2 if before NPA)

MAXIMISING TAX-FREE CASH

- Not the employer role at all
  - –But you can help by being expedient
- HMRC Rules on max' tax-free cash
  - –25% of capital value of benefits crystallising
  - –20 x Pension + Lump Sum + AVCs
- LGPS Rules
  - –For each £1 of pension you give up you get £12 cash
  - –AVCs are part of the capital value

Conversion - Simple?

- Sadly, not
- The 25% limit is based on post-commutation benefits and because accrued rights are calculated on a 20 times basis (HMRC/GAD) and pension is commuted on a 12 for 1 basis (DCLG) the calculation is reiterative
- Look at Freda Cash on Page 3 (Other Areas for Consideration)

Death in Service

- No service qualification, covered from day one
- Death grant is 3 x annual APP
- Paid at AAs absolute discretion
- Survivor's benefits
  - Spouse's pension; or
  - Co-habiting partner's pension; or
  - Civil partner's pension;
- Children's pensions

Death in Service

- Employer role
  - –Provide contact details
  - –Information on circumstances
  - –Accurate and timely information
- Eligibility for partner's benefits
  - –Spouse/Civil partner – proof of status
  - –Co-habiting partner's pension – evidence have co-habited for 2 years, able to marry/form civil partnership, not living with a 3rd person, financial inter/dependence

Death in Service

- Eligibility for children’s benefits
  - a natural or adopted child; or
  - a dependent step child or accepted as a member of the family; and
  - be under age 18, or under 23 and in full-time education or vocational training or
  - unable to engage in gainful employment because of physical or mental impairment and either:
    - has not reached the age of 23, or
    - IRMP states impairment is likely to be permanent and the child is dependent because of this.

Death in Service

- Survivor's benefits
  - –All calculated as if accrual was 1/160 and enhanced to NPA (like Tier 1 Ill health)
- Children's pensions
  - –If survivor's pension payable calculated as if accrual was 1/320 and enhanced to NPA (like Tier 1 Ill health). If 1 + children 1/160 shared
  - –If no survivor's pension calculated as 1/240, or 1/120 if 1+ children.

EMPLOYER DISCRETIONS

- These are the LGPS ones subject to a policy:
- 2013 Regs
  - Awarding Additional Pension
  - Shared Cost Additional Pension Contributions
  - Flexible Retirement
  - Early payment of benefits (pre-60) and switching on the 85 Year Rule
  - Waiving actuarial reductions

And there's more:

- 2007 Regs
  - Waiving actuarial reductions (compassionate)

- 1997 Regs
  - Waiving actuarial reductions (compassionate)
  - Councillor (and pre-1/4/08 employee) optants-out

Lots to do, lots to think about

- "New" policies
  - 3 month time limit
- Changing policies
  - 1 month time limit
- All policies
  - SERIOUS LOSS OF CONFIDENCE RULE!
- Help available on-line at www.lgpsregs.org
  - Discretions Policies paper / Full discretions listing
- An observation:
  - Follow the leader a dangerous game?

INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

- Certain decisions must be made by employers or administering authorities
- IDRP allows people to appeal if they disagree with a decision
  - Or if they claim maladministration

IDRP Stage 1

- Complaints against employer decisions to the employer
  - "Adjudicator"
  - Within 6 months
  - Uphold or replace decision

- Complaints against administrator decisions to the administrator
  - "Adjudicator"
  - Within 6 months
  - Uphold or replace decision

IDRP Stage 1

- Typical employer decisions
  - ill–health retirement
  - pensionable pay
  - scheme entry
  - contributions
- Typical admin authority decisions
  - Death grant recipients
  - Transfers in/out
  - Benefit calculations

IDRP Stage 2

- If unhappy with stage 1 decision, can appeal to the Administering Authority (stage 2)
  - To review decision - take a fresh look
  - (a person not involved previously)
  - Uphold or replace decision

tPAS and the Ombudsman

- **tPAS (the Pensions Advisory Service)**
  - Free service
  - Local advisors
  - Information and guidance
- **Pensions Ombudsman**
  - Can help at any stage, but only rule after stage 2 complete
  - Complaints of maladministration
  - Disputes of fact or law
  - Complaints of handling the IDRP case

If we have time…..

- Misquoting Benefits
  - Mrs F v Tower Hamlets [2003] *Wrong widows pension quoted led to 45k residue of estate claim*
  - Mrs C v Barking & Dagenham [2002] *10.6k kitchen*
- Maladministration
  - Mr D v North West Leicestershire District Council [2016] Appeal rights not given, 3 times with the Ombudsman, lack of impartiality at appeal stages, wrong timeline on regulations….
- Provision of information
  - Hunt v Prudential [2007] Notts AVC facility – alternatives not declared by salesman
- Exercise of a discretion
  - Mrs W v Camden [2009] Death grant split between sister and wife – expression of wish 3 years old relied on – out of date. Council must exercise discretion taking factors into account not follow blindly.
- Ill Health process
  - Mr E v Hants Council [2018] Council rejected Ill Health retirement in 2009. Granted from Deferred in 2015. OH report relied on for original IHR decision. Process not correctly followed – referred back to council for a decision as at 2009.

Outsourcing and admission agreements

- The Best Value Authorities Staff Transfers (Pensions) Direction 2007
  - protects TUPE'd staff of best value authorities where service contracted out
  - must ensure access to broadly comparable scheme; or
  - continued access to LGPS –through an admission agreement
- Early engagement with AA vital
  - Liaise with actuary
  - to assess employer contribution rate
  - assess bond requirement
  - draw up admission agreement

Outsourcing and admission agreements

COUNCIL

Outsources

TUPE
Transfer

Pension
Liability

PRIVATE CONTRACTOR

Admitted Body Status

Admission Agreement between Admin Authority, Employer and Contractor

Outsourcing and admission agreements

- Admission agreements
  - open or closed
  - closed more common for outsourcings
  - closure costs possible
- Fair Deal
  - covers academy schools
  - continued access to LGPS –through an admission agreement
  - engage with AA early
  - consultation ended 4 April 19
  - will replace pension direction – proposed introduction of deemed employer, no broadly comparable scheme option

Outsourcing and Deemed Employer

COUNCIL **PRIVAT** **ACTOR**

Retains

Outsources

TUP

Tr

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Lia

ıncil becomes the “Deemed Employer”.

etains risk and pays employer contributions

Quiz 5

That’s it – You’ve finished!

Have a Safe
Journey
Home

Understanding The Employer Role

Karl White

Pensions Adviser (Training)

January 2019

Disclaimer:

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