Royal County of Berkshire Pension Fund

Employer Training Guide

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THE LGPS 2014 – AN INTRODUCTION

In March 2011, Lord Hutton published his report into public service pension provision which set out recommendations for the Government on how to ensure public service pensions were sustainable and affordable in the long term. As a result of these investigations there were significant changes to the Local Government Pension Scheme (LGPS) from 1st April 2014.

From 1st April 2014 pensions are worked out in a different way and provide greater flexibility for members in terms of the contributions they pay and the age from which they are able to claim their pension. Throughout the course of this training guide we will aim to de-mystify the new regulations and provide you with clearer understanding of the new-look LGPS 2014.

Examples are provided throughout the guide to assist in explaining how the LGPS 2014 will operate but these are for illustration purposes only. It should be noted that nothing contained within this guide or related publications can override any regulatory or statutory requirements and in all cases of dispute the Scheme regulations will prevail.

LGPS 2014 Timeline

March 2011 Lord Hutton published his report into public service pension provision which set out recommendations for the Government on how to ensure public service pensions were sustainable and affordable in the long term.

December 2011 Negotiations commenced between trade unions, employers and government (the Project Board) on the design of the LGPS.

May 2012 The Local Government Association and trade unions announce the outcome of their negotiations on the new LGPS proposals.

August 2012 Consultations resulted in overwhelming support for new LGPS proposals.

September 2013 The main rules of the new scheme were laid before Parliament.

1 April 2014 New-look LGPS is introduced.

LGPS 2014 – A SUMMARY OF CHANGES

A summary of the main changes under the new-look LGPS are shown below. These topics will be looked at in more detail throughout this training guide.

Career Average Re-valued Earnings (CARE)

The pension benefits built up from 1 April 2014 are based on a CARE scheme calculation.

Change in Rate of Pensions Build Up

The rate at which pension builds up from 1 April 2014 is equal to 1/49th of actual pensionable pay.

Contribution Flexibility

Members can elect to pay half of their normal monthly contribution to receive half of the pension they would otherwise have built up. New contribution percentages have also been introduced for higher earners.

Normal Pension Age (NPA)

For benefits built up from 1 April 2014 the member's NPA will be linked to State Pension Age (but with a minimum of 65). NPA is the date from which members can receive LGPS pension without penalty.

Voluntary Retirement from age 55

Members can choose to retire and draw their pension at any time from age 55 onwards. If they choose to take their pension before NPA it may be reduced, as it's being paid earlier.

Protections

Members of the LGPS who were active on 31 March 2014 will have all of their pension rights built up to 31 March 2014 protected under the LGPS Regulations in force at this time. In addition an underpin is being introduced which will offer further protection for members born before 1 April 1957.

Paying Extra - APCs

The LGPS 2014 introduces a new way to increase your annual pension through payment of Additional Pension Contributions (APCs) on a monthly basis, or purchased as a lump sum.

CARE Scheme

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WHAT IS CARE?

From 1st April 2014 the LGPS will still be a 'defined benefit' pension scheme (i.e. the way in which benefits are calculated will continue to be defined in legislation) but instead of benefits building up on a final salary basis they will build up on a **C**areer **A**verage **R**e-valued **E**arnings basis.

What this means is that the pension earned each year is based on the **actual pensionable pay** received in each Scheme year (1st April to 31st March) instead of being based on the pay received at the point a Scheme member leaves or retires from the Scheme. The pension earned each year is added to a 'pension account' with an inflation increase (currently CPI) being added each year so that it keeps its value from the point the pension is earned to the point from which it becomes payable.

Pension build-up (Accrual rate)

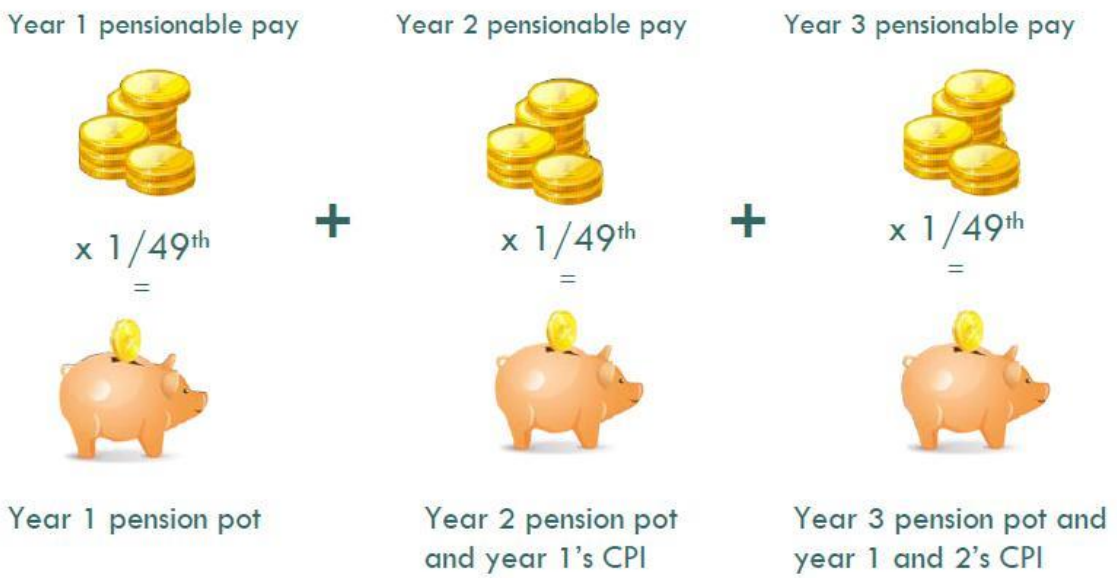
Up until the 31st March 2008 an LGPS pension built up at the rate of **1/80th** of final pay for each year of Scheme membership. Attached to this was an automatic tax-free lump sum equal to three times the value of the annual pension. From the 1st April 2008 an LGPS pension built up at a rate of **1/60th** of final pay for each year of Scheme membership with no automatic tax-free lump sum but with the opportunity to convert part of the annual pension into tax-free cash if the Scheme member so wished.

From 1st April 2014 the rate at which an LGPS pension will build up will change again. There will still be no automatic tax-free lump sum although the right to convert some annual pension into tax-free cash will remain, but the rate at which the pension will build up will be equal to **1/49th** of the actual pensionable pay received in each Scheme year.

This means that a Scheme member with local government service that backdates to before 1st April 2008 will have a pension based on 3 different methods of calculation. Some members will even have a fourth method of calculating their benefits where they elect to enter the 50/50 section of the Scheme.

Membership from	Membership to	Pensions Build Up Rate	Automatic Lump Sum
LGPS start date	31 March 2008	**80th of final pay**	✓
1 April 2008	31 March 2014	**60th of final pay**	✗
1 April 2014	onwards	**49th of actual pay (MAIN)**	✗
1 April 2014	onwards	**98th of actual pay (50/50)**	✗

CARE = Actual Pensionable Pay / 49



PENSIONABLE PAY

The definition of pensionable pay under the 2014 Scheme is not vastly different to that under the 2008 Scheme with one exception - **from 1st April 2014 non-contractual overtime will become pensionable as will pay received for additional hours worked.**

A further change is that a payment in consideration of loss of future pensionable payments or benefits is, from 1st April 2014, not pensionable. For example, where an employer changes an employee's contract to remove contractual overtime and gives a lump sum payment in consideration for the loss of future pensionable payments (because the number of voluntary hours of overtime are expected to be less than the former number of contractual hours of overtime), that lump sum would be non-pensionable.

One other minor change is that any actual pay paid by a Scheme employer to a reservist during Reserve Forces Service Leave is not pensionable.

Regulation 20 (meaning of pensionable pay) of the LGPS regulations 2013 is replicated below for reference:

20.—*(1) Subject to regulation 21 (assumed pensionable pay), an employee's pensionable pay is the total of—*

(a) all the salary, wages, fees and other payments paid to the employee, and

(b) any benefit specified in the employee's contract of employment as being a pensionable emolument.

(2) But an employee's pensionable pay does not include—

(a) any sum which has not had income tax liability determined on it;

(b) any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment;

(c) any payment in consideration of loss of holidays;

(d) any payment in lieu of notice to terminate a contract of employment;

(e) any payment as an inducement not to terminate employment before the payment is made;

(f) any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision;

(g) any payment in consideration of loss of future pensionable payments or benefits;

(h) any award of compensation (excluding any sum representing arrears of pay) for the purpose of achieving equal pay in relation to other employees;

(i) any payment made by the Scheme employer to a member on reserve forces service leave;

(j) returning officer, or acting returning officer fees other than fees paid in respect of—

(i) local government elections,

(ii) elections for the National Assembly for Wales,

(iii) Parliamentary elections, or

(iv) European Parliamentary elections.

Note, that unlike in the 2008 scheme, where benefits are based on the pensionable pay due for a period, not pensionable pay received in that period, benefits in the 2014 CARE scheme

will be calculated based on the pensionable pay that is received in the Scheme year (1 April to 31 March) and not the pay due during that period. There is, therefore, no need to adjust pensionable pay on payment of arrears or other payments which are paid in the current pay period but not related to the current pay period. Please note, however, that any pensionable pay received after 31st March 2014 that relates to a period prior to 1st April 2014 should not be included in CPP1 or CPP2.

Who can Join the LGPS?

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WHO CAN JOIN THE LGPS?

There is no change to the eligibility criteria under the LGPS 2014. Any employee who is **aged under 75** and has a **contract of employment of 3 months or more** must be contractually enrolled into the LGPS from the first day of employment regardless of how many hours they work or how much they earn.

The only possible exceptions to this are:

- Employees of Designation Bodies whose employer has **NOT** designated them, or a class of employees to which they belong, as being eligible for membership of the Scheme;

- Employees of Admission Bodies whose employer has **NOT** designated them, or a class of employees to which they belong, as being eligible for membership of the Scheme under the terms of the Admission Agreement;

- Any employee who is eligible for membership of another public sector pension scheme (e.g. teachers) (although a small number of employees do have a 'dual' eligibility for the LGPS and the NHSPS); and

- Any employee of an Admission Body who is a member of another occupational pension scheme.

Any person employed as an "eligible jobholder" under a contract of employment of less than 3 months must be contractually enrolled on their "automatic enrolment" date (staging date or 3-year anniversary thereof) i.e. an "eligible jobholder" with a contract of less than 3 months would join the LGPS on the first day of employment unless the employer issues a "postponement notice" delaying the automatic enrolment date.

"Non-eligible jobholders" and "entitled workers" with a contract of less than 3 months should not be contractually enrolled on commencement but if they subsequently became an "eligible jobholder" they would be contractually enrolled from the first day of the "pay reference period" in which they first became an "eligible jobholder" (although, once again, an employer could issue a "postponement notice" delaying the auto-enrolment date).

By that mechanism, employers can, if they wish, effectively exclude such employees from the LGPS, although the employee has the right to opt into the LGPS at any time. If a person employed under a contract of less than 3 months has that contract extended for 3 months or more and they have not already joined the LGPS they should be brought into the Scheme on the first day of the payment period following the extension to the contract of employment.

Form LGS1B

As part of the employee's appointment process the Employing Authority should provide the employee with a copy of the short scheme guide (LGS1B), a summary of the LGPS and what it can provide for its members. These can be downloaded from the Employer section of the Pension Fund website. This form will be updated every year with the appropriate contribution bandings.

Pension Contributions

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PENSION CONTRIBUTIONS

There are two sections in the scheme from 1 April 2014 - the **MAIN** section and the **50/50** section. On joining the LGPS a new member must be automatically enrolled into the MAIN Section of the Scheme.

MAIN SECTION

The MAIN section of the scheme is the section employees will be placed in automatically when they commence employment. In that section, they pay normal contributions and get the normal pension build up.

Contribution rates for MAIN section 1 April 2017 to 31 March 2018

Pay Bands		MAIN Section
1	£0 - £13,700	5.5%
2	£13,701 - £21,400	5.8%
3	£21,401 - £34,700	6.5%
4	£34,701 - £43,900	6.8%
5	£43,901 - £61,300	8.5%
6	£61,301 - £86,800	9.9%
7	£86,801 - £102,200	10.5%
8	£102,201 - £153,300	11.4%
9	£153,301 or more	12.5%

50/50 SECTION

In brief the 50/50 section means that a Scheme member can elect to pay half of their normal contributions to receive back half of the pension that they would otherwise build up. Whilst the 50/50 section of the Scheme runs alongside the 'main section' of the Scheme (sometimes referred to as the 100/100 section) it is a separate section of the Scheme and information relating to both sections of the Scheme must be held separately by Scheme employers.

The main purpose of the 50/50 section is to provide flexibility for Scheme members in times of financial hardship and is therefore intended to be a short-term measure for when the member cannot afford to pay into the main section (and avoids the member perhaps opting out of the Scheme altogether).

A scheme member must elect in writing to opt for the 50/50 section and can do so as many times as they wish. It is important to note that any Scheme member who is contributing to the 50/50 section must be re-enrolled into the main section from the beginning of the pay period after the member's automatic re-enrolment date (i.e. every three years) or from the beginning of the pay period after the member goes onto no pay as a result of sickness or injury so long as they are still on no pay at the beginning of that subsequent pay period.

Whilst contributing to the 50/50 section a scheme member and their dependants retain full cover for death in service and ill health retirement benefits as if the member were contributing to the main section.

Even though a Scheme member may elect to pay into the 50/50 section the Scheme employer must pay employer contributions on the actual pensionable pay received by the member even though the employee contribution has been halved.

A Scheme employer must give an employee who elects for the 50/50 section information of the effect on that person's likely benefits from the 2014 Scheme.

Contribution rates for 50/50 Section 1 April 2017 to 31 March 2018

Pay Bands		50/50 Section
1	£0 - £13,700	2.75%
2	£13,701 - £21,400	2.90%
3	£21,401 - £34,700	3.25%
4	£34,701 - £43,900	3.40%
5	£43,901 - £61,300	4.25%
6	£61,301 - £86,800	4.95%
7	£86,801 - £102,200	5.25%
8	£102,201 - £153,300	5.70%
9	£153,301 or more	6.25%

ADMINISTERING THE 50/50 SECTION

One question that immediately springs to mind is, does your payroll system allow for contribution rates up to 2 decimals places? For example, a Scheme member who would pay 6.5% in the main section will pay 3.25% in the 50/50 section.

There are other points to consider as well. If an employee holds more than one post and a single employment relationship does not exist, they can elect to pay into the main section in one job and the 50/50 section in the other. Can your payroll system hold more than one contribution rate for one employee?

Also, where an employee pays into both sections of the Scheme in any one Scheme year, the dates that membership commenced and ended in both sections need to be recorded and retained and notified to the administering authority so that the correct value of pension can be calculated.

Every Scheme employer will need to determine how best to achieve these requirements and whether or not the information to be recorded is held on the payroll system or by some other method.

As stated previously, employees should always be admitted to the main section of Scheme upon being brought into, or upon electing to join, the LGPS. An election to move to the 50/50 section can be made at any time but it is important to note that where an employee is paying into the 50/50 section they **MUST** be re-instated into the main section (although they can again elect for the 50/50 section) when any of the following circumstances arise:

- If the employee goes onto no pay due to sickness or injury. From the beginning of the next pay period the employee **MUST** be moved to the main section providing they are still on no pay at the beginning of that pay period **(but not if they go onto no pay for any other reason);**

- When the employer's automatic re-enrolment date comes round, the employee **MUST** be moved to the main section from the beginning of the pay period following the automatic re-enrolment date. **For employers yet to reach their initial automatic enrolment staging date there is no implication on 50/50 elections.**

Example – 50/50 elections

A Scheme member opts for the 50/50 section on 29th June (after the June payroll has closed). The payroll needs to be amended to show the employee joining the 50/50 section from 1st July. Movements between sections are unique to each job (unless a single employment relationship exists). If a member election is made to join the 50/50 section in a month prior to the payroll having been closed, the member can be admitted to the 50/50 section from the beginning of that pay period (even when the employee is starting employment or opting into the Scheme having previously opted out). An employee joining the Scheme, either as a new starter or an existing employee opting in, must be entered into the main section from day one and cannot elect to move into the 50/50 section until after that date. However, if arrangements can be made with the payroll section in sufficient time, a member can in effect be a member of the 50/50 section from their first day of membership.

Implications on Additional Pension Contribution (APC) contracts

Where a Scheme member in the main section of the Scheme has previously entered into an Additional Pension Contribution (APC) contract at their own whole cost in order to increase their pension entitlement (not just to buy back a period of 'lost' pension) and elects to move to the 50/50 section of the Scheme before that APC contract has come to an end, the payment of the APCs **MUST CEASE** from the date that the member is put into the 50/50 section (unless the contract is being used to purchase an amount of pension 'lost' due to a trade dispute). Any Shared Cost APC (SCAPC) that was being paid to purchase an amount of pension 'lost' during a period of authorised leave of absence or during a period of additional maternity, paternity or adoption leave must continue on into the 50/50 section.

A member of the 50/50 section can only enter into a full cost APC contract to purchase an amount of pension 'lost' due to a trade dispute.

A member of the 50/50 section can enter into a SCAPC contract to purchase an amount of pension 'lost' during a period of authorised leave of absence or during a period of additional maternity, paternity or adoption leave. If they move to the main section the SCAPC contract must continue unless the member chooses to terminate the contract.

Example – Concurrent employments and 50/50

An employee with two concurrent employments opts for the 50/50 section. If no single employment relationship exists the employee may opt to be in the 50/50 section in either or both jobs. If a single employment relationship does exist the option to move to the 50/50 section applies to both jobs.

Example – Single employment relationship and 50/50

An employee finishes one job and starts another as a result of a promotion. This is deemed to be a single employment relationship and so no starter and leaver forms are supplied to the administering authority. If the employee had elected for the 50/50 section in the first job that election should continue automatically on into the second job. If a single employment relationship has not existed a leaver form would have to be sent to the administering authority for the first employment, a starter form for the second employment and the employee would have to be put into the main section from day one of the second employment (with a right to elect for the 50/50 section again if desired).

Assessing the Employee Contribution Rate

The appropriate contribution rate is to be determined by the employer estimating the annual equivalent of the actual (**NOT FTE**) pay to be received in a full scheme year (1st April to 31st

March) rounded down to the nearest whole pound. This can be done in a number of ways for example:

- The annual rate of contractual pay;
- The annual rate of contractual pay plus an estimation of non-contractual overtime or hours worked in excess of the contractual which might be worked in a full year;
- The hourly contractual rate multiplied by an estimate of the number of hours to be worked in a full year;
- The weekly contractual rate multiplied by 52.143;
- The weekly contractual rate multiplied by 52.143 plus an estimate of other pensionable payments to be made in a full year.

It is the responsibility of the Scheme employer to assess the appropriate rate for each of their employees and for each post that their employees may hold in a reasonable and consistent manner.

Allocating employees to an appropriate band is relatively straightforward where the employee is not expected to undertake any additional hours or overtime. However, it is less straightforward where the number of hours an employee may work in a year is not known.

Where an employee with part time contractual hours is **likely** to undertake a number of additional hours in excess of their contractual hours, the Scheme employer could:

a) use one of the methods in the first or fourth bullet point above i.e. place the employee in a band applicable to their contractual hours only and subsequently review the band allocation at an appropriate time;

b) use one of the methods set out in the second, third or fifth bullet points above, perhaps taking account of the hours worked by the previous holder (if any) of the post and subsequently review the band allocation at an appropriate time.

The advantage of option (a) is that it is less likely to lead to an appeal by the employee against the band to which they have been allocated and the employer can, in any case, review the band allocation at a later date and reallocate to a new band as appropriate. The disadvantage of option (a) is that it can initially result in a lesser contribution being collected from the employee's pay for a period of time than is rightly due. However, the size of this 'loss' to the Pension Fund (which in turn would become a cost to the employer) can be controlled by the employer undertaking a periodic review of the contribution banding. Indeed, strictly speaking, there is nothing in the Regulations governing the LGPS 2014 that would prevent the employer retrospectively changing the contribution banding and recovering the underpaid contributions from the employee's pay (although this might, itself, lead to complaints and / or appeals from disgruntled employees).

The advantage of option (b) is that it results in a contribution rate that the employer deems reasonable based on the employer's expectation of the number of hours to be worked by the employee. It could result in a higher or lower contribution rate than is correctly due (depending on how many hours the employee actually works) and this could, respectively, result in an appeal by the employee against the band to which they have been allocated or result in a 'loss' to the Pension Fund (which in turn would become a cost to the employer). The employer could reallocate to the correct band following a successful appeal. Equally, the employer could undertake a review of the contribution banding from time to time regardless of whether or not there has been an appeal.

OPTING OUT

For the purpose of this guide this section on opting out has been included as a reminder for Scheme employers as to how employees who choose to opt out of the LGPS should be administered.

Any employee who is eligible for membership of the LGPS has the right to opt in or out of the Scheme as many times as they see fit. Whilst not administratively welcomed, Scheme regulations do permit this to happen.

It is important to note that an employee **CANNOT** and **MUST NOT** opt out of the Scheme before being admitted to it. If a Scheme employer receives an opt out form from one of its employees which is dated earlier than the employee's commencement date a further opt out form must to be obtained by the employee for completion again.

The opt out form **MUST** be obtained from the administering authority **ONLY**. An opt out form has been produced by the Pension Fund and is available for download from the Pension Fund website www.berkshirepensions.org.uk The form includes many health warnings to which the employee has to agree before completing the opt out form. Once completed the form **MUST** be returned to the **payroll section**.

Opting out under 3 months

Where an employee opts out the Scheme within the first 3 months of having been admitted to the Scheme, regulations dictate that the employee is deemed to have never been a member of the Scheme. The contributions deducted from the employee **MUST** be refunded through payroll in all circumstances where this situation arises (regardless of whether or not the 3-month period traverses two financial years). For clarity, if an employee leaves (i.e. does not opt out of) an employment within 3 months of being admitted to the Scheme, the refund **MUST** be paid by the administering authority and the Scheme employer will need to supply leaving details to the pension team.

Completed opt out forms must be retained by the Scheme employer for at least 8 years but it is recommended that they are retained forever. The pension team does have the facility to hold details of opted out members on the pension system as status '0' (zero) members. If Scheme employers prefer, the pension team would be happy to hold a scanned version of the opt out form on these records providing they have been made aware of the member details by the Scheme employer and have set up a member record on their systems.

VESTING PERIOD

The vesting period is the period of time that a Scheme member has to have in the Scheme in order to be entitled to a retirement benefit. In the LGPS 2014 the vesting period will increase from 3 months to 2 years.

It is important to note that despite the increase in the vesting period a Scheme employer will still be responsible for refunding employee contributions through their payroll systems where a Scheme member opts out within the first 3 months from the date of joining the Scheme.

Scheme members, who were in the LGPS before 1st April 2014 and continue their membership of the Scheme into the LGPS 2014 will have an option to either take a refund of contributions, or to have a deferred pension benefit or to transfer their pension rights to an alternative pension arrangement if, at the point their active membership terminates, they have between 3 months and 2 years of qualifying service.

ADDITIONAL PENSION CONTRIBUTIONS (APCs)

The LGPS 2014 introduces a new way of increasing benefits – APCs. Whilst these are similar in many ways to Additional Regular Contributions (ARCs) under the 2008 Scheme there are some very important differences.

APCs can be paid as regular contributions over a number of years (minimum 12 month contract) but they can also be purchased as a lump sum.

The maximum additional pension that can be purchased initially (from 1st April 2016) is £6,755 although this value will increase each year in line with CPI.

Employees in the scheme may choose to buy extra pension using Additional Pension Contributions (APCs) (with or without a contribution from the employer) in the following circumstances:

- **To buy extra pension:** The employee may choose to make a one off contribution or to pay regular additional contributions in order to buy a set amount of additional pension. The cost (a cash amount NOT a percentage of pay) is determined by the employee's age and the amount they wish to purchase. An employer may, if they wish, agree to meet some or all of the cost of any additional pension purchased. Note that an employee cannot commence an APC in this circumstance if they are in the 50/50 section;
- **To buy 'lost' pension for unpaid leave of absence:** Where an employee elects to pay an APC to purchase any or all of the 'lost' amount of pension within 30 days of returning to work the employer shall pay 2/3rds of the cost of the APC (a shared cost APC). The amount of lost pension shall be calculated as 1/49th of the Assumed Pensionable Pay (APP) for the period of unpaid leave if they were in the MAIN section during that period, or 1/98th of the APP for the period of unpaid leave if they were in the 50/50 section during that period. Note that an employee can commence a shared cost APC in this circumstance even if they are in the 50/50 section;

To buy 'lost' pension for strike. **Where an employee takes strike action they may choose to buy extra pension to replace the amount lost. The amount of 'lost' pension shall be calculated as 1/49th of the APP during the period of strike if they were in the main section during that period, or 1/98th of the APP for the period of strike if they were in the 50/50 section during that period. Please note that where the employee has pre 2014 LGPS membership different rules apply. Where an employee with pre 2014 LGPS membership takes strike action they may elect to purchase the lost pension in the 2014 scheme and final salary protection at a cost of 16% of the lost pensionable pay for the period of strike. This will buy full final salary protection and whatever such an APC amount would purchase in the 2014 scheme by reference to the age of the member. Note that an employee can commence an APC in this circumstance even if they are in the 50/50 section. NOTE It is worth noting that in respect of strike breaks there is no 30 day election period because in order to buy back 'lost' pension the cost is met entirely by the employee in any case regardless of whether or not the election is made before or after the 30 day deadline.**

If the employee wishes to go ahead with a purchase of extra pension in any of the above circumstances they will need to sign a contract to do so and both the payroll and administering authority must be notified of the amount of additional pension to be purchased, the amount of the cash contribution, the period over which the contributions are to be paid and the reason for the purchase.

A Scheme member can elect to terminate an APC contract at any time with a proportion of the additional pension purchased to date being added to their pension account.

It is important to note that in the LGPS 2014 it is no longer compulsory for a Scheme member to pay contributions in respect of the first 30 days of authorised unpaid leave of absence. Instead the member can choose whether or not to pay contributions to cover the pension 'lost' during the period of unpaid leave of absence by way of an age-related APC contract. If the member elects to take out such a contract within 30 days of returning from the period of absence the cost of the APC will be split 1/3rd to the employee and 2/3rds to the employer. If an election is not made within 30 days of returning to work the APC will be at full cost to the employee but Scheme employers must be proactive in ensuring that their employee is aware of the 30 day requirement as otherwise this could lead to as an appeal by the employee.

It is anticipated that there will be an on-line modeller made available so that employees can calculate the cost of paying additional contributions to purchase 'lost' pension. It is also expected that where the amount of contribution is relatively small a one-off lump sum payment should be made as opposed to a regular contribution over a given period.

Additional Voluntary Contributions (AVCs)

AVCs can be made by the employee or, in the case of a shared cost AVC (SCAVC), by both the employer and employee. Such contributions will be either a cash amount or a percentage of pensionable pay. The employer will notify the payroll of the employee amount or percentage per pay period and, in the case of a SCAVC, the employer amount or percentage per pay period. The administering authority must also be notified. The split between an employee's and employer's additional contributions for an SCAVC can be any proportion as agreed but not 100% cost to the employer.

From 1st April 2014 any member paying AVC contributions will not be restricted to a contribution limit of 50% of pay.

New Starters

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NEW STARTERS

On commencement of employment all new employees who are eligible for membership of the Scheme and who have a contract of employment of 3 months or more should be made members of the **MAIN** section of the 2014 Scheme.

A person **CANNOT** elect to join the 50/50 section of the scheme prior to becoming a member of the main section of the 2014 scheme. So, for example, a new starter with a contract of employment of 3 months or more could not opt for the 50/50 section before commencement of employment. However, they could elect on or after starting and, if they do so before the first payroll is closed, can be brought into the 50/50 section from the first day of employment.

Notification of the new member, including confirmation of the relevant section – MAIN or 50/50 - and the appropriate contribution rate payable, must be sent to the administering authority (together with a copy of the election to join the 50/50 section if relevant).

The contribution bandings and rates are shown on page 6 and are effective from 1st April 2014. The employee pays contributions at the appropriate band rate on all pensionable pay received in respect of that job (or at half that contribution rate if the employee is in the 50/50 section).

Note that if a person holds more than one employment and these are treated as separate jobs, each job (and the pensionable pay from each job) is assessed separately when determining the contribution rate for each job. Therefore, one job could have a rate of 5.8% and the other a rate of 6.5%. However, if an employer determines that a single employment relationship exists then the pay from each job should be combined to determine the single contribution rate.

Single Employment Relationship - As under the current rules, where an employee holds multiple posts with a Scheme employer, a separate pension record has to be held for each of those posts under the LGPS2014. The need to calculate pensions on a year by year basis means that separate records are vital to the task of ensuring a Scheme member receives the correct level of pension for each post that they may hold.

However, where a Scheme employer determines that a single employment relationship exists (which is a requirement under automatic enrolment legislation) the need to hold multiple records for one employee is no longer required.

Examples of where a Scheme employer may determine that a single employment relationship exists are:

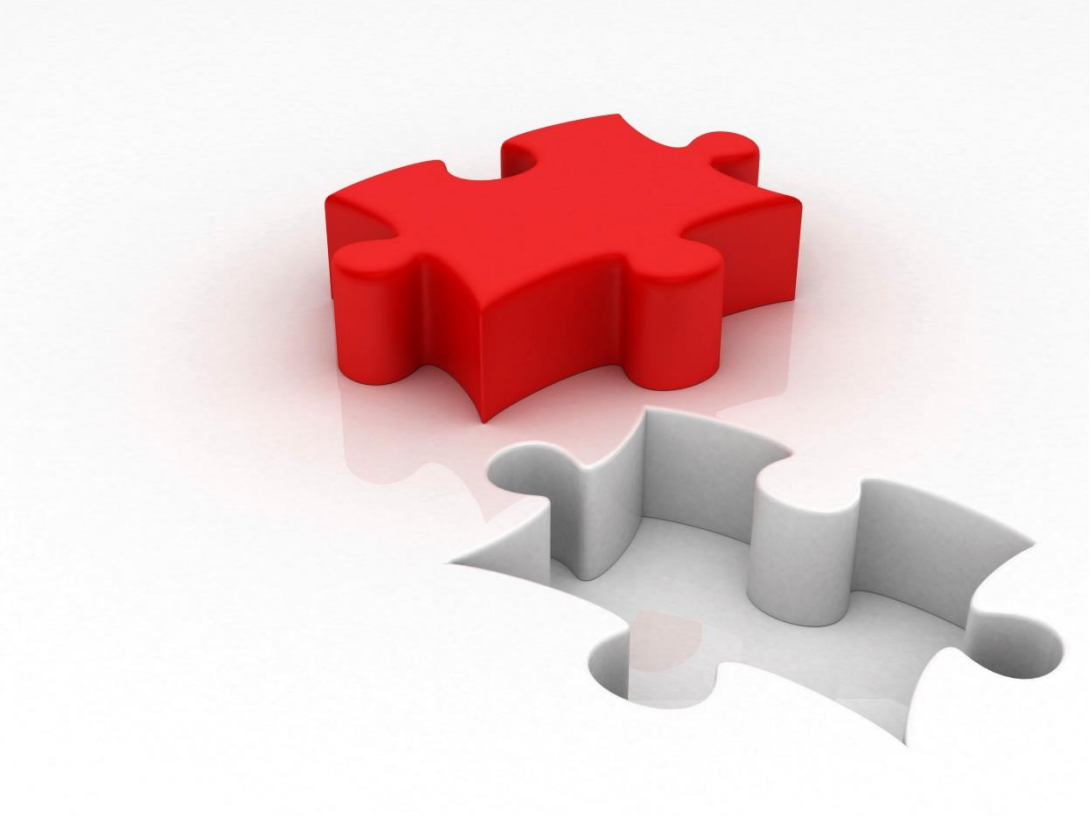
- (i) Two concurrent employments where, if one is terminated, the other must be terminated at the same time;
- (ii) Two sequential employments without a break (e.g. promotion).

Under the above examples it would **NOT** be necessary for the Scheme employer to notify the administering authority that, in the case of sub-paragraph (i), two posts exist and in the case of sub-paragraph (ii), that the employee has left one post and started another.

Where two concurrent posts run alongside each other and are linked in the way mentioned in sub-paragraph (i) there will be only one pension record for that member which holds the combined contribution and pay details of both posts together.

Where an employee simply moves from one role to another without a break in service the Scheme employer should not issue a leaver form for one post and a starter form for the other to the administering authority. For the Scheme year in which the change occurs the pension record will simply hold the total contributions and pay received for the combination of both posts.

Buying back 'Lost' Pension



THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

BUYING BACK LOST PERIODS OF PENSION

If a member has had a leave of absence due to authorised unpaid leave, unpaid additional child related leave they can elect to buy back the 'lost' period of pension through the purchase of a **Shared Cost Additional Pension Contributions (SCAPC)** contract. As the member will not have earned any pensionable pay the pension they would have built up during the period has been lost.

Members can choose to buy the lost pension by spreading payment over a number of complete years or by means of a one off lump sum. The employer will meet two thirds of the cost of buying back lost pension other than for an absence due to a trade dispute, provided the member elects to buy back the 'lost' pension within 30 days of returning to work.

Employers are required to contact scheme members who have returned from a period of unpaid leave or child related leave to advise them of the option to buy back the 'lost pension' during that time. The following list of actions must be followed by employers in this instance:

ACTION TO BE TAKEN BY SCHEME EMPLOYERS

1. Identify members who have returned to work following a break in service due to child-related leave or agreed unpaid leave.

2. Send a list of all those members to the Pension Fund setting out Name, National Insurance Number, Date of Birth, Payroll Number, Post Reference (if member has more than one job), and Date of Absence. Submit this to **info@berkshirepensions.org.uk.**

3. Check that none of your scheme members who have had a leave of absence have already entered into an APC contract to purchase the maximum additional pension permissible (currently £6,755) as this would deny them the opportunity of buying back the pension they have 'lost' as a result of their absence.

4. Write to your scheme members using **specimen letter 1** and enclose the guide **'Option to pay back contributions to avoid a break in service'** produced by the pension team.

5. Provide details of the Assumed Pensionable Pay, dates of absence, reason for absence and confirmation of the section of the scheme (MAIN or 50/50) into which the member contributes as part of specimen letter 1.

6. Once an application form has been returned by the member and received in payroll, arrange to make the necessary deduction as a monthly amount or lump-sum (depending on the method of repayment that the member has opted for). Complete **specimen letter 2** and send this to your employee remembering to send a copy to the pension team at **info@berkshirepensions.org.uk**

7. Make sure that for all members who do buy back their 'lost' pension that you add the 'lost' pay figure to the member's Cumulative Pensionable Pay (CPP) when submitting your year end return to the pension team.

A series of specimen letters have been produced for your use when contacting your scheme members:

Specimen Letter 1 From an Employer to a Scheme member who has returned from a period of unpaid leave.

Specimen Letter 2 From an employer to a Scheme member who has elected to pay SCAPCs in respect of a period of absence [one job only]

Specimen Letter 3 From an employer to a Scheme member who has elected to pay SCAPCs in respect of a period of absence [multiple jobs employee]

On receipt the relevant letter the member then has the option of buying back the lost pension and can do so by completing the online application form at https://www.lgpsmember.org/more/apc/lost.php

ASSUMED PENSIONABLE PAY (APP)

APP replaces the concept of notional pay in cases of reduced contractual pay or nil pay as a result of:

- Sickness or injury;
- Relevant child related leave (i.e. ordinary maternity, paternity or adoption leave and any **paid** additional maternity, paternity or adoption leave) **BUT NOT** any **unpaid** additional maternity, paternity or adoption leave as this is to be treated as unpaid leave of absence and no APP accrues during that period;
- Reserve Forces Service Leave.

Example – Calculating APP

A monthly paid employee has received the following pensionable pay in the three complete months prior to a relevant event:

Month 1 - £1,400
Month 2 - £2,500 (including a £1,000 regular bonus)
Month 3 - £1,400

The calculation of the APP is as follows:

Annual rate of APP = ((£1,400 + £1,500 + £1,400) /3 x 12) = £17,200

The £1,000 regular bonus is removed prior to the averaging and grossing up calculation is performed. This is because the £1,000 has already been included in the Cumulative Pensionable Pay (CPP) prior to going onto APP and so it would be inappropriate to include it again in the calculation of APP as to do so would result in double counting.

However, when deciding whether or not to include a lump sum in the APP calculation a Scheme employer should reasonably assess if, in their view, the employee will still be on APP the next time the lump sum is due to be paid. Therefore, in the above calculation if the Scheme employer deems it reasonable to assume that the period of APP will extend for 11 months or more and the £1,000 bonus would have again been paid to the employee, the bonus amount should be added back into the annual APP rate as follows:

Annual rate of APP = ((£1,400 + £1,500 + £1,400) / 3 x 12) = £17,200 + £1,000 = £18,200

It is for a Scheme employer, at its sole discretion, to determine when to add any regular lump sum payment made in the last 12 months back into an APP calculation. A Scheme employer must determine at the point APP commences whether there is a 'reasonable expectation' that a regular lump sum paid in the previous 12 months will again become payable during the period where APP will apply.

Example - Proportioning

When determining the proportion of the annual APP rate to be added to the CPP the same method should be used as would be used for determining part pay periods for any other reason. Therefore, to calculate one day's APP use whatever method would normally be used to calculate one day's pay from an annual rate. However, it is important that the method reflects the methodology used to calculate the annualised APP figure. Thus, for example, if 3 months pay have been grossed up to an annual rate using the formula 12/3 then the divisor for working out a month's pay would then be annual pay/12.

A monthly paid employee drops to reduced pay on 15th June and stays on that rate of pay until 4th September when they return to fully paid normal working. The employee is in the main section of the Scheme throughout the reduced pay period. The Cumulative Pensionable Pay (CPP1) will accrue as follows:

June – 14 days of Pensionable Pay plus 16 days at the APP rate
July – Assumed Pensionable Pay rate
August – Assumed Pensionable Pay rate
September – 3 days at the APP rate plus 27 days of Pensionable Pay

Please note that in cases of employees on relevant child related leave (i.e. ordinary maternity, paternity or adoption leave and any **paid** additional maternity, paternity or adoption leave) who return for KIT days during the reduced pay period, the Pensionable Pay and not the Assumed Pensionable Pay (APP) for those days should be added to the Cumulative Pensionable Pay (CPP1) if the Pensionable Pay actually received for those days is higher than the APP daily rate. The APP applying after the KIT days will be the same as that applying before the KIT days (i.e. there is no need to recalculate APP simply because the employee has undertaken a KIT day during the period of relevant child related leave).

Increasing the APP figure

Where an employee is absent due to a period of long term sickness which covers more than one 31st March the APP figure as calculated at the flat rate averages shown in examples 7 and 8 can be increased by a percentage adjustment specified in the HM Treasury Revaluation Order issued for the 'second' Scheme year ending on the 'second' 31st March (and so on for subsequent Scheme years where an APP figure has to be calculated due to continuous ongoing sickness absence).

Example – Increasing APP

A monthly paid employee goes on sick leave on reduced pay from 15th June 2014. The APP figure is calculated as shown in example 7 and is £18,200. At 31st March 2015 the member is still on sick leave and by that time is on no pay. The annual APP figure of £18,200 is not increased at 31st March 2015 and continues to be used from 1st April 2015. The employee continues to be absent with no pay due to ongoing sickness at 31st March 2016 when the APP figure of £18,200 will be increased by the annual percentage increase specified in the HM Treasury Revaluation Order which for the purpose of this example is assumed to be 2%. The APP figure of £18,200 from the second 1st April (i.e. 1st April 2016) following the point when the employee was initially absent due to sickness, will be increased to £18,564 i.e. £18,200 x 1.02. The employee eventually returns to work on 4th September 2016 and is in the main section of the Scheme throughout. The Cumulative Pensionable Pay (CPP1) will be calculated as follows:

June 2014 – 14 days of Pensionable Pay plus 16 days at the APP rate (£18,200)
July 2014 to March 2015 – APP at the annual rate of £18,200
April 2015 to March 2016 – APP at the annual rate of £18,200
April 2016 to August 2016 – APP at the annual rate of £18,564
Sept. 2016 – 3 days of APP at the annual rate of £18,564 plus 27 days of Pensionable Pay

In the above example for the Scheme years 1st April 2014 to 31st March 2015, 1st April 2015 to 31st March 2016 and 1st April 2016 to 31st March 2017, the Scheme employer will need to advise the administering authority of the Cumulative Pensionable Pay (CPP1) as follows:

2014 - 2015

1) 1st April 2014 to 14th June 2014 – actual Pensionable Pay (PP) received plus
2)15th June 2014 to 30th June 2014 - Assumed Pensionable Pay at the annual rate of £18,200 plus
3) 1st July 2014 to 31st March 2015 – Assumed Pensionable at the annual rate of £18,200

*1) PP = **£4,000** (for illustration purposes only)*
*2) APP for June 2014 = £18,200 /12 / 30 x 16 = **£808.89***
*3) APP for July 2014 to March 2015 = £18,200 /12 x 9 = **£13,649.50***

CPP1 = £4,000 + £808.89 + £13,649.50 = ***£18,458.39***

NOTE: Pension for 2014 – 2015 will be £18,458.39 / 49 = ***£376.70***

2015 - 2016

1st April 2015 to 1st March 2016 – Assumed Pensionable Pay at the annual rate of ***£18,200***

CPP1 = £18,200

NOTE: Pension for 2015 – 2016 will be £18,200 / 49 = ***£371.43***

2016- 2017

1) 1st April 2016 to 31st August 2016 – Assumed Pensionable Pay at the annual rate of £18,564 plus
2) 1st September to 3rd September 2016 – Assumed Pensionable Pay at the annual rate of £18,564 plus
3) 4th September 2016 to 30th September 2016 – actual Pensionable Pay received plus
4) 1st October 2016 to March 2017 – actual Pensionable pay received

1) APP for April 2016 to 31st August 2016 = £18,564 / 12 x 5 = ***£7,735.00***
2) APP for 1st to 3rd September 2016 = £18,564 /12 / 30 x 3 = ***£154.70***
3) PP for 4th to 30th September 2016 = £19,000 /12 /30 x 27 = ***£1,952.78***
4) PP for 1st October 2016 to 31st March 2017 = £19,000 /12 x 6 = ***£9,500.00*** *(illustration only)*

CPP1 = £7,735.00 + £154.70 + £1,952.78 + £9,500.00 = ***£19,342.48***

Note: Pension for 2016 – 2017 will be £19,342.48 / 49 = ***£394.74***

The 50/50 rule

If a Scheme member was in the 50/50 section prior to dropping to nil contractual pay because of sickness or injury they should be placed in the main section from the beginning of the next pay period (provided they are still on no pay due to sickness or injury at that time) and the Assumed Pensionable Pay (APP) added to the Cumulative Pensionable Pay (CPP1) rather than the Cumulative Pensionable Pay (CPP2) as from the beginning of that pay period.

Example 10 – The 50/50 rule

A monthly paid employee drops to reduced contractual pay due to sickness on 15th June then on 15th September they drop to nil contractual pay. They return to normal working on 1st December. At the date of the relevant event they were in the 50/50 section of the Scheme. The CPP accrued throughout the relevant period is calculated as follows:

June – 14 days Pensionable Pay plus 16 days of APP is added to CPP2
July – APP is added to CPP2
August – APP is added to CPP2
September – APP is added to CPP2
October – APP is added to CPP1 (next pay period following the drop to nil pay)
November – APP is added to CPP1
December - Pensionable Pay is added to CPP1

The employee will remain in the main section unless or until they make an election to opt for the 50/50 section.

Cessation of APP

APP ceases to accrue when a member ceases to be absent on reduced contractual pay or nil pay as a result of:

- sickness or injury;
- ceasing relevant child related leave (i.e. ordinary maternity, paternity, or adoption leave and any **paid** additional maternity, paternity or adoption leave); or
- ceasing reserve forces service leave.

APP and Tier 1 or Tier 2 ill health retirement

A Scheme employer is responsible for calculating APP when an employee ceases active employment on the grounds of permanent ill health with a Tier 1 or Tier 2 pension or when an active member dies in service or where a Tier 3 ill health pension is awarded which is subsequently changed to a Tier 1 or Tier 2 ill health pension.

The APP figure is calculated in the normal way but using the average pensionable pay for the 3 complete pay months prior to the date that the pensionable employment ceased. The Scheme employer will need to determine whether there is a 'reasonable expectation' that any regular lump sums would have been paid to the member and if so ensure that those sums are added back into the annual rate of APP. This calculation is required by the administering authority in order to calculate the amount of enhancement to the benefits due under the LGPS and should be an annual amount.

Leaving the LGPS

THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

LEAVING THE SCHEME

When an employee either ceases pensionable employment or opts out of the Scheme it is essential that the administering authority is notified of the following:

- The date of cessation;
- The reason for cessation;
- The relevant section of the Scheme on cessation (main or 50/50);
- Any existing Additional Pension Contribution (APC) contracts in force at the date of cessation;
- Pension contributions paid in relation to the employment that is ceasing for the period 1st April last to date of cessation;
- Cumulative pensionable pay for each section to which the employee contributed (main and/or 50/50) during the year of cessation to the date of cessation;
- An Assumed Pensionable Pay (APP) figure for any relevant period where the employee has received reduced or no pay as a result of a period of sickness or injury or due to a period of relevant child-related leave;
- An Assumed Pensionable Pay (APP) figure where the employment has ceased on the grounds of permanent ill health with a Tier 1 or 2 ill health pension or an active member dies in service. This APP figure is needed to calculate the amount of the enhancement to the benefits due under the LGPS regulations.

Final Pay

Scheme employers will still be responsible for calculating:

1) Final Pay (as calculated under the 2008 Scheme) at each 31st March and on ceasing membership of the Scheme (opting out or termination of pensionable employment) for use in calculating the pre 2014 benefits under the final salary arrangements; and

2) Final Pay at Normal Pension Age (NPA) (as defined under the 2008 Scheme) for post 2014 / pre NPA benefits in respect of those members to whom the underpin applies i.e. those who:

    - Were active members on 31st March 2012;
    - Were within 10 years of their NPA on 1st April 2012,
    - Were active members of the Scheme on both 31st March 2014 and 1st April 2014, and
    - Either retire at NPA (2008 Scheme definition) or continue working beyond NPA with the final pay figure for the underpin being the pay due for, normally, the 12 months preceding NPA (NB: the underpin is calculated at NPA for those who continue working beyond NPA).

Final Pay Calculation

In most instances a member's final pay will be the earnings on which pension contributions have been deducted in respect of the last 365 days of employment. If there has been a break during that period a reciprocal of 365 is used to bring the figure back to a full year.

In certain cases, however, where one of the previous two 365 day periods yields a higher figure, one of those periods can be chosen as the preferred final pay, hence the phrase "the best of the last three years".

The final pay figure used to calculate pension benefits is the full time equivalent value. Therefore, in the first instance any part-time hours can be ignored and the pay has to be calculated in the same way as an equivalent full-time employee.

Basic Final Pay Calculation = months/days X FTE salary ÷ 12

IMPORTANT: Final pay must only be calculated using pensionable pay as defined under the LGPS 2008 regulations. Therefore non-contractual overtime must not be included in final pay calculations.

Example:

A member's retires on 31 December 2015.

Their final pay period would be from 1 January 2015 to 31 December 2015 (last 365 days of their employment).

Their full-time equivalent salary history is as follows for the last year of their employment:

1 January 2015	£22,000
1 April 2015	£25,000

Their final pay would be calculated as follows:

1 January to 31 March 2015 = 3 months X £22,000 / 12 =	**£5,500.00**
1 April 2015 to 31 December 2015 = 9 months X £25,000 / 12 =	**£18,750.00**
TOTAL Final Pay	**£24,250.00**

Therefore in this example the member's final pay at 31 December 2015 would be **£24,250.00.**

Retirement

THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

RETIREMENTS

- **Normal Pension Age**

Normal Pension Age (NPA) for benefits built up from 1st April 2014 will be linked to a Scheme member's State Pension Age (SPA) with a minimum age of 65. The NPA for benefits built up before that date will continue to be linked to a member's NPA as defined in the 2008 Scheme (which could be age 60, 65 or somewhere between 60 and 65). It is important to note that the pre 1st April 2014 benefits **CANNOT** be drawn earlier than the post 31st March 2014 benefits. However, the normal ill health, flexible retirement and redundancy/efficiency retirement provisions continue on into the 'new' Scheme. Anyone can find out what their State Pension Age is by visiting www.gov.uk/state-pension-age.

- **Early Retirement**

There is a significant change under the LGPS 2014 regulations that enables a Scheme member to opt for retirement from the age of 55 onwards at full cost to themselves on termination of pensionable employment. The employee will **NOT** require employer consent and should have received an estimate of the reduction to their pension prior to making such an election. It is important to note that as a Scheme member can, from 1st April 2014, elect to take their accrued pension benefits from the age of 55 and before the age of 60 without the need for employer consent action needs to be taken to ensure that considerable costs are not incurred by Scheme employers, particularly where the employee satisfies the 85-year rule and would not suffer a reduction to their benefits under that rule.

The member must also provide three months written notice to the Berkshire Pension Fund before payment of their pension can be paid *(members retiring from the age of 60 onwards are not required to provide three months written notice to the Berkshire Pension Fund).*

The Transitional Provisions & Savings Regulations provide that the 85-year rule will NOT be applied to a member's benefits where the member voluntarily draws benefits from the age of 55 and before the age of 60 i.e. even if the 85-year rule would normally apply it will be disregarded in these circumstances. However, the Transitional & Savings Regulations do provide for an employer 'switching back on' the 85-year rule in relation to pre-1 April 2014 benefits thereby enabling the employer to waive any actuarial reduction at their cost. This is something that employers will need to consider and may wish to have a policy decision on.

Scheme employers will still retain the necessary tools to manage retirements on or after the age of 55 and before 60. A Scheme employer will still be able to agree to waive all or part of the early reduction (actuarial reduction) applied to a Scheme member's benefits at the employer's cost. The rules regarding redundancy and business efficiency retirements from the age of 55 remain the same with Scheme members aged between 55 and 60 having to take unreduced benefits from their date of leaving and Scheme employers having to meet the capital or strain costs that their decisions generate.

- **Early Retirement Reduction Factors**

Early Retirement Reduction Percentages			
Number of Years Early	Pension Reduction		Lump Sum Reduction
	Males	Females	
0	0%	0%	0%
1	5.6%	5.20%	2.9%
2	10.8%	10.1%	5.7%
3	15.5%	14.6%	8.5%
4	20%	18.8%	11.2%
5	24%	22.7%	13.7%
6	27.8%	26.4%	16.3%
7	31.4%	29.8%	18.7%
8	34.7%	33%	21.1%
9	37.7%	36.1%	23.4%
10	40.6%	38.9%	25.6%
11	44.2%	42.2%	N/A
12	47.6%	45.5%	N/A
13	50.9%	48.6%	N/A

- **Flexible Retirement**

Once a member attains the age of 55, they can use a discretion to allow them to receive all or part of their pension benefits built up to date whilst remaining in the pension scheme and continuing in employment at a reduced grade or with reduced hours of work, thereby avoiding the need to work full-time until the member reaches their Normal Pension Age.

Under flexible retirement pension contributions continue to be deducted on the member's reduced earnings, therefore they continue to build up an additional pension entitlement until

- **Redundancy**

The rules regarding redundancy and business efficiency retirements from the age of 55 remain the same from 1 April 2014.

If a member is made redundant, is 55 or over and have at least 2 years membership of the Scheme (including membership they may have transferred into the Scheme from previous pension schemes), they will be entitled to the immediate payment of their LGPS benefits. At your discretion, you can award the member additional annual pension. This is a discretion you can use if you wish subject to your published statement policy.

- **Efficiency**

This is a term used when it is efficient for the employer (they make savings) to retire a member early. This may be as a result of a re-structuring exercise or job evaluation exercise for example. If a member is aged 55 or over and has at least 2 years membership of the Scheme (including membership they may have transferred into the Scheme from previous pension schemes), they will be entitled to the immediate payment of their LGPS benefits.

- **Payment of Pension Benefits**

IMPORTANT: Regulation 30 of the 2014 Scheme regulations clearly states that a member who attains Normal Pension Age **and is not an employee in local government service** is entitled to immediate payment of a retirement pension without reduction.

This means that a Scheme member who is an employee in local government service cannot opt out of the pension scheme in order to access their pension whilst remaining in employment, continue to receive a salary (as well as their pension) and then opt back into the Scheme again in order to accrue further pension benefits.

- **Ill-Health Retirement**

Under current regulations where a scheme member is forced to retire due to permanent ill health, pension benefits are paid immediately and are index linked immediately even if the member is under the age of 55.

There are **3 tiers** of ill health retirement:

Tier 1 – It is determined that the member is unlikely to obtain gainful employment before Normal Pension Age. Accrued benefits are brought into payment duly enhanced by the membership that would have accrued by Normal Pension Age.

Tier 2 – It is determined that the member is likely to obtain gainful employment in the future but for at least 3 years. Accrued benefits are brought into payment plus 25% of the membership that would have accrued to Normal Pension Age.

Tier 3 – It is determined that the member is likely to obtain gainful employment within 3 years. Accrued benefits only are brought into payment and the payment of the pension is reviewed.

In order to award an ill-health retirement the employer has to satisfy themselves that the member has become permanently incapable of discharging efficiently the duties of his/her employment and that the member has a reduced likelihood of obtaining gainful employment in the future.

Before making a decision as to whether or not a member may be entitled to the release of benefits on the ground of ill health or infirmity of mind of body, **the Scheme employer must obtain a certificate from an independent registered medical practitioner who is qualified in occupational health medicine as to whether in his opinion the member is permanently incapable of discharging efficiently the duties of the relevant local government employment because of ill health or infirmity of mind or body.**

The appropriate ill-health certificates can be found in the Standard Letters section of the Berkshire Pension Fund website.

The independent medical practitioner must be in a position to certify, and must include in his certification a statement that he has not previously advised, or given an opinion on, or otherwise been involved in the particular case for which the certificate has been requested and he is not acting, and has not at any time acted, as the representative of the member, the Scheme employer or any other party in relation to the same case.

Qualified in occupational health medicine means:

- holding a diploma in occupational medicine (D Occ Med) or an equivalent qualification issued by a competent authority in an EEA State and for the purpose of this definition, “competent authority” has the meaning given by the General and Specialist Medical Practise (Education, Training and Qualification) Order 2003; or

- being an Associate (AFOM), a Member (MFOM) or a Fellow (FFOM) of the Faculty of Occupational Medicine or an equivalent institution of an EEA State.

Every employer must obtain the approval of the administering authority as to their choice of registered medical practitioner.

Death in Service Lump Sum

With effect from 1st April 2014 the death grant payable to the nominated beneficiaries of an active Scheme member will change from 3 times annual pensionable pay to 3 times annual **Assumed Pensionable Pay** calculated at date of death. Further details regarding Assumed Pensionable Pay can be found on page 25.

Protections

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

PROTECTIONS

Every individual who was an active member of the LGPS on 31 March 2014 and who continues membership into the LGPS 2014 on 1st April 2014 will have all of their pension rights built up to 31st March 2014 protected under the LGPS Regulations in force on 31st March 2014 i.e. the LGPS Regulations 2008. This means that all benefits built up on either a 1/80th or 1/60th basis will continue to be based on the member's final pay at the point that their active membership of the LGPS ceases in the future. However, this protection can be lost with a disqualifying break in service of more than 5 years (*see also following section 'the underpin'*) if the member chooses to aggregate former membership with current membership following such a break.

In addition, their benefits built up under the former Regulations will continue to be payable from their 'Normal Retirement Date' as set out in those Regulations *(see section on 85-year rule)*. However, benefits built up under those previous regulations cannot be released without the benefits built up since 1st April 2014 being released at the same time.

All deferred and retired members who left the Scheme under the pre 2014 arrangements are not affected by the Regulation changes effective from 1st April 2014.

The Underpin

The underpin refers to the protections afforded to Scheme members who were born before 1st April 1957 (perceived to be the date at which a member would have been within 10 years of retirement (age 65) on 1st April 2012). The underpin applies to any Scheme member who:

- Was an active member of the Scheme on 31st March 2012,
- Was within 10 years of their Normal Pension Age (NPA) on 1st April 2012,
- Retires at NPA or continues working beyond NPA,
- Hasn't had a disqualifying break in service of more than 5 years, and
- Has not drawn any benefits before NPA.

The underpin provides for a calculation to be undertaken at NPA to check that the pension a Scheme member builds up at NPA (or would have built up had they been in the main section throughout) is at least equal to that which would have built up had the Scheme not changed on 1st April 2014 and if the benefit as calculated is less than equal, the difference will be added to the member's pension account.

The rule of 85

For those Scheme members who have a rule of 85 protection, this will continue to apply in the LGPS 2014. It protects some or all of a member's benefits from the normal early payment reduction and will automatically be applied (except where a member voluntarily draws their pension on or after age 55 and before age 60 – as this is a new option in the scheme from 1st April 2014). To have a rule of 85 protection an individual must have been a member of the LGPS on 30 September 2006.

For existing members covered by transitional protection following the removal of the rule of 85, retiring before Normal Pension Age will entail a slightly more complicated calculation of benefits than it did when the LGPS 2008 was introduced.

The rule of 85 is satisfied when a Scheme member's age at the date when benefits are drawn plus the Scheme member's total Scheme membership (each in whole years) adds up to 85 years or more.

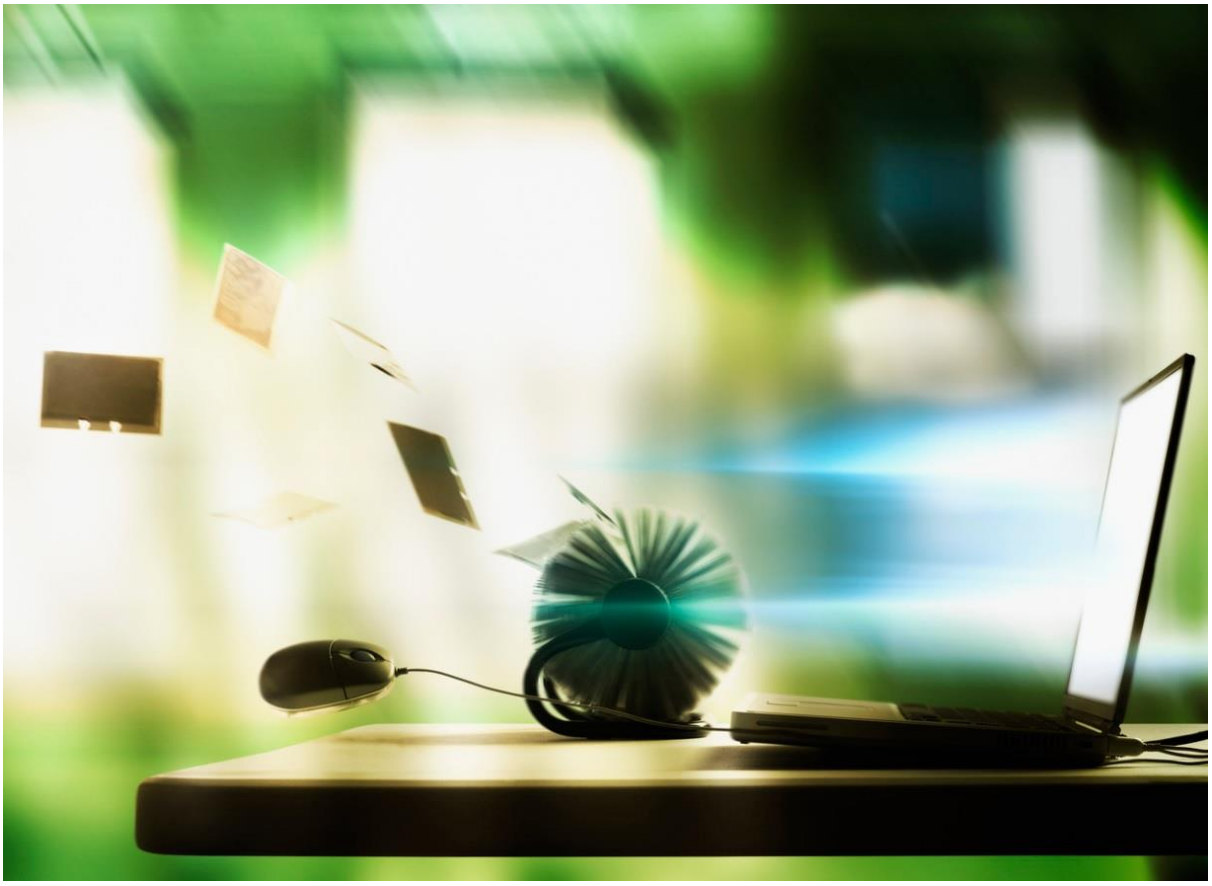
If a Scheme member would **NOT** satisfy the rule of 85 by the time they reach age 65, then all of the benefits paid would be reduced if drawn (voluntarily) before the age of 65. The early payment reduction is based on how many years before age 65 the benefits are drawn:

- For part-time employees, membership counts towards the rule of 85 at its full calendar length. Not all membership may count towards working out whether a Scheme member meets the 85 year rule. Working out how a Scheme member might be affected by the rule of 85 can be quite complex. However:
- For a member who will be aged 60 or over before 31 March 2016 and who chooses to retire before the age of 65, then, provided they satisfy the rule of 85 at the point they start to draw their pension, the benefits built up to 31 March 2016 will not be reduced.
- For a member who will be under age 60 by 31 March 2016 and who chooses to retire before age 65, then, provided they satisfy the rule of 85 at the point they start to draw their pension, the benefits built up to 31 March 2008 will not be reduced.
- Also, for a member who will be aged 60 between 1 April 2016 and 31 March 2020 and who meets the rule of 85 by 31 March 2020, some or all of their benefits built up between 1 April 2008 and 31 March 2020 will not have a full reduction applied.

NOTE: As a Scheme member can, from 1st April 2014, elect to take their accrued pension benefits from the age of 55 and before the age of 60 without the need for employer consent action needs to be taken to ensure that considerable costs are not incurred by Scheme employers, particularly where the employee satisfies the 85-year rule and would not suffer a reduction to their benefits under that rule.

The Transitional Provisions & Savings Regulations provide that the 85-year rule will NOT be applied to a member's benefits where the member voluntarily draws benefits from the age of 55 and before the age of 60 i.e. even if the 85-year rule would normally apply it will be disregarded in these circumstances. However, the Transitional & Savings Regulations do provide for an employer 'switching back on' the 85-year rule in relation to pre-1 April 2014 benefits thereby enabling the employer to waive any actuarial reduction at their cost. This is something that employers will need to consider and may wish to have a policy decision on.

Payroll Data and Records



THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

PAYROLL DATA AND RECORDS

The LGPS 2014 regulations require Scheme employers to hold additional data to that already required in respect of their employees. As previously outlined in this guide the LGPS will become a Career Average Re-valued Earnings (CARE) scheme with effect from 1st April 2014 but the existing final salary arrangements will continue to operate for employees within 10 years of retirement as at 1st April 2012 (the underpin). In effect, therefore, 2 schemes will need to be administered until the underpin expires on 31st March 2022.

In addition the new LGPS 2014 has 2 sections to administer, the main section and the 50/50 section. Each of these sections have to be administered in isolation of each other in so much as Scheme employers need to provide data to the administering authority in respect of their employees' membership of both sections of the Scheme and for each job that they hold. It is possible for an employee with more than one job to be a member of the main section in one job and the 50/50 section in another job.

Example – Concurrent employments

An employee has two concurrent employments with the same Scheme employer and a single employment relationship does not exist. Two records need to be maintained for this employee and the data should be supplied to the administering authority as two separate lines of data, both identifiable as the same employee but uniquely identified as different jobs. If one job ceases, the other job will not automatically cease as there is no single employment relationship between the two posts. For the job that has ceased a leaver form ***MUST*** *be completed and sent to the administering authority.*

It is also possible for an employee to be in the main section and the 50/50 section during any given Scheme year in respect of a single employment. Data relating to each section **MUST** be provided to the administering authority for each Scheme year that the employee is a member of either or both sections of the Scheme for each job that they may hold (but see section on single employment relationship).

Example – Effect of a single employment relationship

An employee is promoted to a new job which has a single employment relationship with the employee's previous post. There is no need for leaver and starter forms to be completed and sent to the administering authority. The data required by the administering authority for that employee at the end of the Scheme year will be a single set of cumulative figures that include amounts from both jobs.

The following table sets out the 'new' Scheme data that needs to be held by Scheme employers and which will need to be submitted to the administering authority in the normal course of administering the Scheme from 1st April 2014. There are new terms included which will be unfamiliar initially but are important to learn as the LGPS 2014 develops.

Table: New Scheme data

Main section Cumulative Pensionable Pay (CPP1)	The total Pensionable Pay* (PP) and/or Assumed Pensionable Pay (APP) in the main section for the Scheme year (1 April to 31 March)
Main section Cumulative Employee's Contributions (CEC1)	The total employee's contributions in the main section for the Scheme year (1 April to 31 March)
50/50 section Cumulative Pensionable Pay (CPP2)	The total Pensionable Pay* (PP) and/or Assumed Pensionable Pay (APP) in the 50/50 section for the Scheme Year (1 April to 31 March)
50/50 section Cumulative Employee's Contributions (CEC2)	The total employee's contributions in the 50/50 section for the Scheme year (1 April to 31 March)
Cumulative Additional Employee's Contributions (CAC) per type i.e.: - Employee Additional Pension Contributions (EAPC) - Employee Additional Regular Contribution (EARC)	The total additional employee's contribution (per type) for the Scheme year (1 April to 31 March) - EAPC – both where the whole cost is to the employee and also the employee element of a Shared Cost Additional Pension Contribution contract (SCAPC) - EARC – the ongoing employee contribution for ARC contracts in force before 1st April 2014
Cumulative Employer's Contributions (CRC)	The total employer's contributions in both sections of the Scheme for the Scheme year (1 April to 31 March)
Cumulative Additional Employer's Contributions (CARC)	The total employer's contribution both where the whole cost is to the employer and also the employer element of a Shared Cost Additional Pension Contribution (SCAPC)
Section of the Scheme	Section of the Scheme the employee was a member of in the employment at the end of the Scheme year (31 March) or at the date of cessation of active membership in the employment

* Including the value of emoluments specified in the contract of employment as being pensionable emoluments (including the pensionable emolument value of salary sacrificed for such items as child care vouchers).

Please note that the data in the above table represents additions/changes as a result of the LGPS 2014 from 1st April 2014. It does not replace or remove the requirement for other data currently being supplied to the administering authority (see section on Continuing Existing Scheme Processes).

Cumulative Pensionable Pay (CPP1 and CPP2)

CPP is the total of the Pensionable Pay (PP) and/or Assumed Pensionable Pay (APP) in either section of the Scheme in the Scheme year (1 April to 31 March) including the value of emoluments specified in the contract of employment as being pensionable emoluments (including the pensionable emolument value of salary sacrificed for such items as child care vouchers). Records for both sections must be kept separately as different accrual rates will apply when calculating the pension built up in each section. If the employee moves between sections more than once in any Scheme year there is no need to keep more than one cumulative for each section but it is essential that the dates of membership for each section are retained and provided to the administering authority. The cumulative amounts of all PP and/or APP in each section **MUST** be recorded and submitted to the administering authority for each Scheme year. It is important to note that any pensionable pay received by a Scheme member after 31st March 2014 which relates to a period prior to 1st April 2014 should **NOT** be included in the cumulative pay figures provided for the Scheme year 1st April 2014 to 31st March 2015.

Example – Calculating cumulative pay

An employee opts to join the 50/50 section on 1st July at which point the accrued CPP1 (main section Cumulative Pension Pay from 1 April to 30 June) is £3,000. They spend 6 months in the 50/50 section accruing £6,000 in CPP2 (50/50 section Cumulative Pensionable Pay from July to December) before opting back into the main section from 1st January accruing a further £3,300 in CPP1. The cumulative figures at the end of the year are CPP1 £6,300 and CPP2 £6,000.

The pension will be calculated as (£6,300 ÷ 49 = £128.57) + (£6,000 ÷ 98 = £61.22) = total pension of £189.79 for that Scheme year.

CUMULATIVE CONTRIBUTIONS

Throughout this section there will be several definitions relating to cumulative contributions:

- Cumulative Employee Contributions main section (CEC1)
- Cumulative Employee Contributions 50/50 section (CEC2)
- Cumulative Employer Contributions (CRC)
- Cumulative Additional Contributions Employee (CAC)
- Cumulative Additional Contributions Employer (CARC)

Cumulative Employee Contributions (CEC1 and CEC2)

As mentioned previously in this guide there will be 9 contribution bands from 1st April 2014. Unless a single employment relationship exists, a Scheme employer will need to assess each job that a Scheme member holds and determine the contribution band for each job based on the actual pensionable pay, **NOT** the full time equivalent rate of pay that the Scheme member earns.

Where a Scheme employer determines that a single employment relationship does exist then the pay from each job should be combined to determine a single contribution rate.

Where a Scheme member opts for the 50/50 section it is important to remember that it is not their rate of pay that is being halved but their contribution rate so if an employee earns £25,000 (band 3) their contribution rate will be 6.5% but in the 50/50 section it will be 3.25% but still deducted from £25,000 i.e. it is not the pensionable pay that is halved so the employee in this example will continue to earn £25,000 and the contribution banding must not be based on earnings of £12,500 which would be in band 1 (5.5%). The pension calculated will be based on 1/98th of £25,000 not 1/49th of £12,500 (even though this generates the same figure). **It is also very important to note that whilst an employee may opt for the 50/50 section the employer's contribution continues to be paid at the full rate.**

The bands and rates contained within the contribution table may change from time to time and so should not be hard coded into payroll systems.

For part time employees, zero hour contract employees and variable hour contract employees, Scheme employers will need to make an assumption of the pensionable pay that the employee will receive in the Scheme year (1st April to 31st March). Employees will remain in that band until such time as the Scheme employer may review the band. Scheme regulations require Scheme employers to review an employee's band *'Where there is a change in employment or a material change which affects the member's pensionable pay in the course of a financial year'.*

Any reductions in pensionable pay due to sickness, injury, child related leave, reserve forces service leave or other absence from work are disregarded when assessing/reviewing the appropriate band.

Example – Appropriate contribution band

An employee commences employment on a part time basis and is contracted to work 18.5 hours per week i.e. 50% of full time. The FTE earnings are £35,000 so they actually receive pensionable pay of £17,500 per annum. From the date of commencement the Scheme employer should determine the contribution band to be band 2 i.e. 5.8%.

A year later it is clear that the same employee has been working regular additional hours which brought their actual pensionable pay up to £24,000. If the Scheme employer considers that the additional hours worked will continue to be regular they may decide to place the employee into band 3 i.e. 6.5%.

At some point during the second year of employment the same employee moves to a full time contract. At that point the Scheme employer would determine that the appropriate band would be band 4 i.e. 6.8% as the actual pensionable pay would be £35,000. Even so, if the employee continues to work additional hours and their actual pensionable pay increases as a result the Scheme employer could determine to place the employee into band 5 i.e. 8.5% if their pensionable pay exceeds £43,001.

Example – Effect of 50/50 section

The member in example 11 now decides to opt for the 50/50 section in July. The employee contributions will be calculated as:

July – Pensionable Pay x 6.8% added to the Cumulative Employee Contribution for the main section (CEC1). The Pensionable Pay will be added to the Cumulative Pensionable Pay for the main section (CPP1).

August – Pensionable Pay x 3.4% (6.8% / 2) added to the Cumulative Employee Contribution for the 50/50 section (CEC2). The Pensionable Pay will be added to the Cumulative Pensionable Pay for the 50/50 section (CPP2).

Movements between the two sections of the Scheme will take effect from the next available pay period and so payrolls should not have to split contributions between CEC1 and CEC2 or Cumulative Pensionable Pay between CPP1 and CPP2 in the same pay period.

Contributions during periods of reduced or nil pay

If the employee has a reduction in pay they will continue to pay contributions on the amount of Pensionable Pay received (if any) and NOT on any amount of Assumed Pensionable Pay (APP) being added to the Cumulative Pensionable Pay (CPP). The only exception to this is in the case of employees on reserve forces service leave. In those cases, the employee pays contributions on APP and not on any pensionable pay received from the Scheme employer. However, the employee contributions on the APP figure are not deducted via the employer's payroll but, instead, they are usually deducted by the MoD from the reservists pay which they pay to the person. The contributions are then paid over to the Pension Fund by the MoD. If the contributions were not deducted from the reservists pay by the MoD, the member would have to pay the contributions direct to the Fund and claim the tax relief from HMRC via self-assessment.

If the employee is in the 50/50 section and goes onto no pay due to sickness or injury, the employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay due to sickness at that time (but not if they are on nil pay for some other reason).

Example – Calculating CEC1 and CEC2

An employee drops to reduced pay on 15th June due to sickness and then on 15th September they drop to nil pay. They return to normal working on 1st December. At the date of the relevant event they were in the 50/50 section of the scheme and were in contribution band 4. The contributions calculated and CEC accrued throughout is as follows.

June – PP x 3.4% added to CEC2

July – PP x 3.4% added to CEC2

Aug – PP x 3.4% added to CEC2

Sept – PP (i.e. 14/30 of normal month's pensionable pay) x 3.4% added to CEC2

Oct – PP x 6.8% (= £nil) added to CEC1 (next pay period following drop to nil pay)

Nov – PP x 6.8% (= £nil) added to CEC1

Dec – PP x 6.8% added to CEC1

Note that although pensionable pay dropped to half from 15th June and to no pay from 15th September, the reductions in pensionable pay are ignored when determining the relevant contribution band. Thus, the employee remains in band 4 (6.8%), equating to 3.4% whilst in the 50/50 section.

KIT days

When on child related leave the employee may return for KIT days. On these days contributions should be taken on the pay received for that day at the rate appropriate for that pay period.

Example – Calculating CEC1 and CPP1

A monthly paid employee goes onto maternity leave from 16th June 2014. The ordinary maternity leave and paid additional maternity leave run out after 39 weeks (i.e. on 15th March 2015). She is in the main section of the scheme and is paying a contribution rate of 6.8%. She returns for a KIT day in November. PP is accrued on that KIT day is added into CPP1 and APP is not added to CPP1 for that day. The calculations for CEC1 and CPP1 are:

Month	CEC1	CPP1
June	PP x 6.8%	15 days of PP plus 15 days of APP
July	PP x 6.8%	APP
Aug	PP x 6.8%	APP
Sept	PP x 6.8%	APP
Oct	PP x 6.8%	APP
Nov	PP x 6.8% (KIT day at 6.8%)	One month less one day of APP plus PP on KIT day
Dec	PP x 6.8%	APP
Jan	PP x 6.8%	APP
Feb	PP x 6.8%	APP
March	15 days PP x 6.8%	15 days APP
April	Nil	Nil

Example – Further calculations of CEC1 and CPP1

For the example above and assuming an unreduced monthly pay figure of £2,976 (£684.89 per week), conditions of service providing 6 weeks at 9/10ths pay, followed by 12 weeks at half pay plus SMP of £136.78 per week, followed by SMP of £136.78 per week for 21 weeks and an APP monthly rate of £2,976 (£684.89 per week i.e. £2,976 x 12/52.143) the amounts allocated to CEC1 and CPP1 cumulatives would be as shown in the following table. Please note that this is one example of the methodology. It is not the only one as we are aware that the methodology adopted by employers to pay SMP varies across employers.

Month	CEC1	CPP1
June	(15/30 x £2,976) + (2.2 weeks x £684.89 x 9/10) x 6.8% = £193.40	(15/30 x £2,976) + (15/30 x £2,976) = £2,976
July	(3.8 weeks x £684.89 x 9/10) + (0.8 weeks x £684.89 x 0.5) + (0.8 weeks x £136.78) x 6.8% = £185.35	£2,976
Aug	(4.2 weeks x £684.89 x 0.5) + (4.2 weeks x £136.78) x 6.8% = £136.87	£2,976
Sept	(4.4 weeks x £684.89 x 0.5) + (4.4 weeks x £136.78) x 6.8% = £143.38	£2,976
Oct	(2.6 weeks x £684.89 x 0.5) + (2.6 weeks x £136.78) + (2	£2,976

	weeks x £136.78) x 6.8% = £103.33	
Nov	(3.8 weeks x £136.78) + KIT day £99.20 x 6.8% = £42.09	£2,876.80 plus £99.20 KIT day = £2,976
Dec	(4.6 weeks x £136.78) x 6.8% = £42.78	£2,976
Jan	(4.4 weeks x £136.78) x 6.8% = £40.92	£2,976
Feb	(4 weeks x £136.78) x 6.8% = £37.20	£2,976
March	(2 weeks x £136.78) x 6.8% = £18.60	(15/30 x £2,976) = £1,488
April	Nil	Nil

Cumulative Employer Contributions (CRC)

Employer contributions are not spilt between the two sections of the scheme and are based on:

- the actual pensionable pay received by the employee in the pay period or part pay period i.e. the amounts added to CPP1 and CPP2 (not including any APP) except where the bullet point below applies, in which case the employer contributions are payable on the APP figure and not on any pay received whilst APP is in operation. CRC = CPP1 (not including any APP) + CPP2 (not including any APP) multiplied by the employer contribution rate.

- the APP figure for the pay period (or part pay period) during which the member is on relevant child related leave (i.e. ordinary maternity, paternity or adoption leave or paid additional maternity, paternity or adoption leave), or on sick leave on reduced or no pay, or on reserve forces service leave. Note, however, that during reserve forces service leave the Scheme employer does not directly pay employer contributions on the APP (and so there is no employer contribution to deduct via the payroll). Instead, the employer contributions on the APP figure are remitted by the MoD direct to the Pension Fund. CRC = (CPP1 + CPP2) multiplied by the employer contribution rate.

The employer contribution rate will be a single rate for all employees of that employer and will be subject to change possibly annually but almost certainly after each triennial valuation of the scheme. Rates should therefore not be hard coded into payroll systems. Employers will be responsible for notifying payrolls of the employer contribution rate and any subsequent changes to it. If the employee is in the 50/50 section, the employer rate is still paid in full (not at half rate).

Cumulative Additional Contributions (CAC, CARC) – per job

Additional Pension Contributions (APC)

Additional Pension Contributions (APCs) can be made by both or either the employee and the employer. The cost of an APC can be met in full by the employee, or in full by the employer, or may be split between employee and employer (in any proportion agreed between the employee and the employer, but not 100% cost to the employer). Where an employer and employee both contribute this is known as a shared cost APC (SCAPC). APC / SCAPC contributions may be one off or regular and will always be cash amounts not percentages. If the contributions are regular the employer will notify the payroll of the employee amount per pay period and the employer amount (if any) per pay period and the number of payments in the APC contract.

Example – Lump Sum Additional Pension Contribution (APC)

Payroll is notified that an employee has elected to pay a one off APC of £500. This amount should be deducted in the pay period following notification and £500 added to the EAPC (Employee APC) CAC cumulative for that job.

Example – Regular Additional Pension Contributions (APCs)

Payroll is notified that an employee has elected to pay an APC of £50 per month for the next 60 pay periods. This deduction should commence in the pay period following notification and £50 added each month to the EAPC CAC cumulative for that job.

Employers may agree to share the cost of APC contracts either on a one off or regular basis. Except for SCAPC contracts taken out to cover the pension "lost" during a period of unpaid leave of absence the employer share can vary across employees but the combined amount in respect of any individual employee will be consistent throughout the contract. Where a SCAPC contract is taken out to cover the pension "lost" during a period of unpaid leave of absence, the cost is shared 1/3rd employee, 2/3rds employer.

Example – Lump Sum Shared Cost Additional Pension Contribution (SCAPC)

Payroll is notified that the employer has agreed to share equally with the employee a one off APC of £500. The employee's £250 should be deducted in the pay period following notification with £250 added to the EAPC CAC and £250 added to the RAPC (Employer APC) CARC cumulatives for that job.

Example – Regular Shared Cost Additional Pension Contributions (SCAPCs)

Payroll is notified that an employer has agreed to share equally with the employee an APC of £50 per month for the next 60 pay periods. The employee's deduction of £25 should commence in the pay period following notification and £25 added each month to each of the EAPC CAC and RAPC CARC cumulatives for that job.

Note that:

- during any period of sickness on reduced contractual pay, any pre-existing APC / SCAPC contracts remain payable. The payments need to be added to the EAPC CAC and, as appropriate, the RAPC CARC cumulatives for that job. If the employee is in receipt of no pay the employee contributions are deemed to have been paid but the deemed contributions are not to be added into the EAPC CAC cumulatives for that job. Although the regulations are currently silent on the matter, it is assumed that any employer contributions to a SCAPC should also be deemed to have been paid if the employee is in receipt of no pay (but the deemed employer contributions are not to be added into the RAPC CARC cumulatives for that job).

- during any period of relevant child related leave (OML, OPL, OAL, paid AML, paid APL, paid AAL) any pre-existing APC / SCAPC contracts remain payable and the payments need to be added to the EAPC CAC and, as appropriate, the RAPC CARC cumulatives for that job. If the employee is in receipt of no pay, the employer contributions to a SCAPC remain payable and should be added to the CARC cumulative for that job but the employee payments due to an APC or SCAPC which could not be collected roll over as a debt to be recovered from pay upon return to work (when they will be added into the EAPC CAC cumulative for that job) or, failing that, by direct payment by the individual to the administering authority / deduction from pension benefits when paid).

- during any other period of child related leave (i.e. during unpaid AML, unpaid APL and unpaid AAL) any pre-existing APC / SCAPC contracts remain payable. Although the employee is in receipt of no pay, the employer contributions to a SCAPC remain payable and should be added to the RAPC CARC cumulative for that job but the employee payments that were due to an APC or SCPAC which could not be collected roll over as a debt to be recovered from pay upon return to work (when they will be added into the EAPC CAC cumulative for that job) or, failing that, by direct

payment by the individual to the administering authority / deduction from pension benefits when paid).

- during any period of industrial action any pre-existing APC / SCAPC contracts remain payable. Although the employee is in receipt of no pay for the period of the industrial action, the employer contributions to a SCAPC remain payable and should be added to the RAPC CARC cumulative for that job. The employee payments that were due to an APC or SCAPC should be deducted and added to the relevant EAPC CAC cumulative for that job if there is enough pay in the period from which to deduct the payment. Otherwise, the employee payment that was due to an APC or SCAPC will roll over as a debt to be recovered from pay upon return to work (when they will be added into the EAPC CAC cumulative for that job) or, failing that, by direct payment by the individual to the administering authority / deduction from pension benefits when paid).

- during any period of reserve forces service leave any pre-existing APC / SCAPC contracts remain payable **(but not via payroll)**. The employer sends the relevant details to the reservist to pass on to MoD in order to get them to arrange the relevant deductions from MoD reservist pay and for MoD to pay these over to the LGPS Fund.

- during any other period of authorised leave of absence any pre-existing APC / SCAPC contracts remain payable. Although the employee may be in receipt of no pay, the employer contributions to a SCAPC remain payable and should be added to the RAPC CARC cumulative for that job but any of the employee payments that were due to an APC or SCPAC which could not be collected roll over as a debt to be recovered from pay upon return to work (when they will be added into the EAPC CAC cumulative for that job) or, failing that, by direct payment by the individual to the administering authority / deduction from pension benefits when paid)

Additional Voluntary Contributions (AVCs)

Additional Voluntary Contributions can be made by the employee or, in the case of a shared cost AVC (SCAVC), by both the employer and employee. Such contributions will be either a cash amount or a percentage of pensionable pay. The employer will notify the payroll of the employee amount or percentage per pay period and, in the case of a SCAVC, the employer amount or percentage per pay period.

The split between an employee's and employer's additional contributions for an SCAVC can be any ration as agreed but not 100% cost to the employer.

Example – AVC Life Assurance

Payroll is notified that an employee has elected to pay an ongoing (life assurance) AVC of £100 per month. This amount should be deducted in the pay period following notification and £100 added to the EAVC CAC cumulative for that job.

Example – AVC ongoing payments

Payroll is notified that an employee has elected to pay an ongoing (non-life assurance) AVC of 5% of pay per month. This deduction should commence in the pay period following notification and the amount of AVC collected each month added to the EAVC CAC cumulative for that job.

Scheme employers may agree to share the cost of an AVC contract. This share can vary across employees but the proportion for any individual employee will not vary.

Example - Shared Cost AVC – fixed amounts

Payroll is notified that the employer has agreed to a shared cost (non-life assurance) AVC with an employee, with the employee contributing £60 per month and the employer contributing £40 per month. The AVCs should be deducted in the pay period following notification with the contributions from the employee's £60 per month deduction added to the

EAVC CAC and the amount from the employer's £40 per month contribution added to the RAVC CARC cumulatives for that job.

Example – Shared Cost AVC - percentage

Payroll is notified that the employer has agreed to a shared cost (non-life assurance) AVC with an employee, with the employee contributing 3% of pay per month and the employer contributing 2% of pay per month. The AVCs should be deducted in the pay period following notification with the contributions from the employee's 3% deduction added to the EAVC CAC and the amount from the employer's 2% contribution added to the RAVC CARC cumulatives for that job.

Note that:

- during any period of sickness on reduced contractual pay or no pay, any pre-existing AVC / SCAVC contracts remain payable only whilst there is enough pay to cover them. The payments need to be added to the EAVC CAC and, as appropriate, RAVC CARC cumulatives for that job. No AVC / SCAVC contributions are payable whilst the employee is on no pay and nothing is to be added to the EAVC CAC or, as appropriate, RAVC CARC cumulatives for that job whilst the employee is on no pay. Note that the employer element of SCAVC in respect of pension sacrifice is not payable in full where the employee is on reduced or no pay i.e. during the half pay period the employer contribution is half and during the no pay period the employer makes no contribution.

- during any period of relevant child related leave (OML, OPL, OAL, paid AML, paid APL, paid AAL) any pre-existing AVCs / SCAVC contracts remain payable whilst there is enough pay to cover them. The payments made need to be added to the EAVC CAC and, as appropriate, RAVC CARC cumulatives for that job. Note that the employer element of SCAVC in respect of pension sacrifice must continue to be paid in full on APP or, for any days during the relevant child related leave period where pay received is greater than APP, on the pay received and added to the RAVC CARC cumulative for that job.

- during any other period of child related leave (i.e. during unpaid AML, unpaid APL and unpaid AAL) the member may continue with any pre-existing AVC / SCAVC and, if the member does so, the employer must meet cost of the employer element of any SCAVC. However, in reality this is not an option on the payroll as there is no pay from which to collect AVCs / SCAVCs.

- during any period of industrial action the member may continue with any pre-existing AVC / SCAVC contracts and, if the member does so, the employer must meet cost of the employer element of any SCAVC. The employer contributions to a SCAVC should be added to the RAVC CARC cumulative for that job and the employee contributions to the AVC or SCAVC should be added to the EAVC CACcumulative for that job.

- during any period of reserve forces service leave any pre-existing AVCs / SCAVC contracts remain payable (but not via payroll). The employer sends the relevant details to the reservist to pass on to MoD in order to get them to arrange the relevant deductions from MoD reservist pay and for MoD to pay these over to the AVC provider.

- during any other period of authorised leave of absence the member may continue with any pre-existing AVC / SCAVC contracts and, if the member does so, the employer must meet cost of the employer element of any SCAVC. However, in reality this is not an option on the payroll as there is no pay from which to collect AVCs / SCAVCs.

PAYMENTS MADE TO A SCHEME MEMBER AFTER THEIR DATE OF LEAVING

Any retrospective payments that come within the definition of pensionable pay will require the relevant employee and employer contributions to be deducted from them. Where pensionable payments are made after the date of a Scheme member's termination of pensionable employment and after data has already been submitted to the administering authority, the revised data (if the payment is made in the year of leaving) or new data (if the payment is made in a year after leaving) should be submitted to the administering authority together with the date the additional payment was made.

The additional pension derived from a retrospective payment made after leaving (e.g. from a backdated pay award or backdated re-grading) is treated as if it were received on the day before the active member's pension account was closed and the pension in the account is retrospectively recalculated which, for a pension already in payment, would require the administering authority to calculate and pay any arrears due and to undertake new lifetime allowance and annual allowance checks.

It is important to note that if the Scheme member has pre 1st April 2014 membership the retrospective pay will result in a recalculation of the final year's pensionable pay and any pension already paid in respect of the pre 2014 membership (or the underpin) will need to be recalculated with any arrears of pension being paid.

Continuing Existing Scheme Processes

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

CONTINUING EXISTING SCHEME PROCESSES

Scheme members who have benefits built up under the LGPS prior to 1st April 2014 have certain protections carried over in the new **CARE** Scheme. Because of this, there are a number of data requirements that **MUST** be continued on into the 2014 Scheme and Scheme employers are required to provide this information to the administering authority.

Final Pay

Scheme employers will still be responsible for calculating:

3) Final Pay (as calculated under the 2008 Scheme) at each 31st March and on ceasing membership of the Scheme (opting out or termination of pensionable employment) for use in calculating the pre 2014 benefits under the final salary arrangements; and

4) Final Pay at Normal Pension Age (NPA) (as defined under the 2008 Scheme) for post 2014 / pre NPA benefits in respect of those members to whom the underpin applies i.e. those who:

   - Were active members on 31st March 2012;
   - Were within 10 years of their NPA on 1st April 2012,
   - Were active members of the Scheme on both 31st March 2014 and 1st April 2014, and
   - Either retire at NPA (2008 Scheme definition) or continue working beyond NPA with the final pay figure for the underpin being the pay due for, normally, the 12 months preceding NPA (NB: the underpin is calculated at NPA for those who continue working beyond NPA).

Part Time Hours and Term Time Weeks

Prior to the introduction of the LGPS 2014, notification of changes to contractual hours or weeks of employment have been required by the pensions team in order to accurately calculate the build up of pension membership under the LGPS 2008 . Historically we have requested such notifications to be issued to us on form LGS15B for all active scheme members. However from 1 April 2015 changes of hours and weeks are only required for the following members:

a) members who have an ‘old’ added years contract (as the added years contract has to be adjusted upon a change in contractual hours), and
b) members covered by regulation 20(13) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 (minimum ill health enhancement for those who were active members before 1 April 2008, were aged 45 or over at that time, have been in continuous membership since then, and have not already received any benefits in respect of that membership) as a change in contractual hours can affect the level of the minimum ill health enhancement.

If you are unsure which of your members (if any) fall in to any of the above categories, please contact Berkshire Pensions directly. Section 6.1 of the Payroll Guide (which can be found on the LGPS Regs website) contains details of those members who will have protections under the underpin calculation.

Where your organisation does have members which fit in to categories a) or b), you will need to provide, at each 31 March, the relevant changes that have occurred during the Scheme year so that we are able calculate the members’ benefits for inclusion in their annual benefit statements (and to check whether the members have incurred any annual allowance tax liability). In addition, when a member leaves the Scheme, details of the relevant hour/week changes will also need to be provided on the LGS15C leaver notification up to the member’s date of leaving.

Breaks in Membership

Scheme employers will still be responsible for providing details of breaks in membership that occur prior to Normal Pension Age (NPA) due to:

- A trade dispute;
- Authorised unpaid leave of absence, or
- Unpaid additional maternity, paternity or adoption leave,

for those members who:

- Were in the Scheme on 31st March 2012 and within 10 years of their NPA on 1st April 2012, and
- Were in the Scheme on 31st March 2014 and 1st April 2014, and
- Have not paid pension contributions to cover the whole of the pension that would have accrued during that period of absence e.g. via a 16% contribution for a trade dispute or a shared cost APC to cover the whole of a pension 'lost' during a period of authorised unpaid leave of absence (up to a maximum of 36 months) or unpaid additional maternity, paternity or adoption leave.

This is so the administering authority can determine whether the final salary benefit underpin for these members at NPA exceeds their post 31st March 2014 CARE pension.

Existing Additional Pension contracts

Any existing additional pension contracts in force on 31st March 2014 will carry forward into the LGPS2014 unless the member elects to cease payment. This will include:

- Additional Regular Contributions (ARCs) where payments are made at a fixed rate over an agreed contract period;

- Added Years contracts with contributions deducted as a percentage of pay. **IMPORTANT NOTE**: This continues to be a percentage of pay as defined under the 2008 regulations so added years contributions must be deducted from contractual overtime for example as now defined in the definition of pensionable pay under the LGPS2014;

- Any other additional contributions currently being deducted as a result of a Preston case (part-time buy back).

Absences Spanning 31st March 2014 / 1st April 2014

Where an absence spans 31st March 2014 and 1st April 2014 the absence prior to 1st April 2014 should be dealt with in accordance with the 2008 Scheme rules and the absence post 31st March 2014 should be dealt with in accordance with the 2014 Scheme rules.

ACRONYMS

AAL	Additional Adoption Leave
AML	Additional Maternity Leave
APL	Additional Paternity Leave
APC	Additional Pension Contribution
APP	Assumed Pensionable Pay
ARC	Additional Regular Contribution
AVC	Additional Voluntary Contribution
CAC	Cumulative Additional (Employee) Contribution
CARC	Cumulative Additional Employer's Contribution
CARE	Career Average Re-valued Earnings
CEC1	Cumulative Employee Contribution under the MAIN section
CEC2	Cumulative Employee Contribution under the 50/50 section
CPI	Consumer Price Index
CPP1	Cumulative Pensionable Pay under the MAIN section
CPP2	Cumulative Pensionable Pay under the 50/50 section
CRC	Cumulative Employer Contribution
EAPC	Employee Additional Pension Contribution
EARC	Employer Additional Regular Contribution
EAVC	Employee Additional Voluntary Contribution

FTE	Full Time Equivalent
HMRC	Her Majesty's Revenue & Customs
KIT	Keeping In Touch
LGPS	Local Government Pension Scheme
MoD	Ministry of Defence
NHSPS	National Health Service Pension Scheme
NPA	Normal Pension Age
OAL	Ordinary Adoption Leave
OML	Ordinary Maternity Leave
OPL	Ordinary Paternity Leave
PP	Pensionable Pay
RAPC	Employer Additional Pension Contribution
RAVC	Employer Additional Voluntary Contribution
SCAPC	Shared Cost Additional Pension Contribution
SCAVC	Shared Cost Additional Voluntary Contribution
SMP	Statutory Maternity Pay
SPA	State Pension Age

Standard Forms Directory

FORM NAME	TITLE	DESCRIPTION
LGS10	**Election to Opt into the LGPS**	An opt-in form for members wishing to join the LGPS.
LGS1E	**Election to opt-out of the**	An opt-out form for members wishing to cease pension contributions.
LGS1B	**Brief Guide to the LGPS**	A brief guide to the LGPS to be included with contracts of employment.
EST3/EST4	**Estimate Request form**	A request for an estimate of pension benefits
LGS5050	**Election to opt into the 50/50 Section of the LGPS**	This form is to be completed by existing members of the **MAIN** Section of the LGPS who are electing to opt into the **50/50** Section of the LGPS.
LGS15A(5050)	**Admission to the 50/50 Section of the LGPS**	Complete this form to notify the pensions team that a member has entered the 50/50 section of the LGPS. Please attached a copy of the member's signed LGS5050 election form.
LGS15A	**Starter form**	This form is to be completed for all new entrants to the LGPS.
LGS15C	**Withdrawal from the Scheme**	This form is to be completed for any member leaving employment or opting out of the LGPS

LGS16	**Employer Contribution Return**	Monthly employer contribution return
LGS15D	**Opt-out notification**	This form should be completed for members who are opting out of the LGPS under auto-enrolment regulations. This form should be sent directly to the Pensions team on completion accompanied by the member's signed LGS1E opt-out form

Pensions Administration Team			
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Useful Websites	
Royal County of Berkshire Pension Fund	**http://www.berkshirepensions.org.uk**
National LGPS Website	**https://www.lgpsmember.org/**
LGPS Regulations and Guidance	**http://lgpsregs.org/**