



## **SCHEME EMPLOYER GUIDE TO COMPLETING CONTRIBUTION RETURNS**





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## 1.0 INTRODUCTION

With effect from 1 April 2015 the Berkshire Pension Fund established a local pension board in accordance with regulation 106 of the LGPS Regulations 2013 (as amended) to assist the administering authority in its role as a scheme manager to secure compliance of the scheme regulations and other legislation relating to governance and administration of the scheme and of any requirements imposed by The Pensions Regulator.

The Pensions Regulator (TPR) also issued code of practice no. 14 concerning '**Governance and administration of public service pension schemes**'. This code of practice as it relates to the requirements of the Public Service Pensions Act 2013, came into force from 1 April 2015.

One area that TPR is particularly keen to see operate efficiently is the payment and receipt of pension contributions and to ensure that the scheme manager has appropriate processes in place to monitor, record and reconcile the receipt of contributions. In addition, the scheme manager is legally required to identify and resolve any issues regarding payment failures at the same time as reporting breaches where relevant to the Regulator.

It is worth noting that TPR has a number of statutory objectives including:

- To protect the benefits of pension scheme members;
- To promote and improve understanding of the good administration of work-based pensions; and
- To maximise compliance with the duties and safeguards of the Pensions Act 2008.

Part of TPR's code of practice no. 14 is to set out how pension contributions are to be maintained and can be viewed, downloaded or printed from TPR's website <http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx>

## 2.0 CONTRIBUTIONS – GETTING THEM RIGHT

The LGPS is a registered pension scheme and is known as a defined benefit occupational pension scheme which means that the benefits payable from the scheme are set out in law through statutory instruments issued by the Secretary of State for the Department for Levelling Up, Housing and the Communities (DLUHC).

As such, the contributions paid by both the employee and the employer are not used to calculate the pension rights of LGPS members. Instead, the contributions are paid into the Pension Fund to ensure that there is sufficient money to pay the benefits of retired members, deferred members once they reach their retirement age and active scheme members who will eventually reach retirement age and draw a pension.

Whilst the amount that employees have to pay by way of contributions is set out in the scheme regulations, the amount that scheme employers pay is set every three years by an independent actuary who undertakes a health check of the Pension Fund known as a valuation. As part of the valuation process, the actuary will set employer contributions rates for the forthcoming valuation period. For example, the most recent valuation that took place as at 31 March 2022 has set the employer contribution rates for the period 1 April 2023 to 31 March 2026. The next valuation to take place on 31 March 2025 will set the employer contribution rates for the period 1 April 2026 to 31 March 2029.

The Pension Fund needs to ensure that there is enough money to pay for the benefits in payment whilst maintaining a suitable funding level to meet the payment of benefits coming into payment in the future.

This is why it is so important for Scheme employers to ensure that they deduct the correct rate of employee and employer contributions through their payrolls. Failure to do so can result in employers, and possibly employees, facing higher contribution rates in the future or for the level of benefits provided by the scheme being decreased if scheme costs exceed certain limits.

In addition, it is important that Scheme employers make payment of contributions to the Pension Fund in a timely manner to enable the Fund to make the best possible returns on its investments.

In accordance with the Pension Fund's 'Pension Administration Strategy' a Scheme employer will be held to account for late payment of contributions and will be issued with a written notice of unsatisfactory performance and may be charged interest where that performance does not improve.

A record of all notices of unsatisfactory performance issued to scheme employers will be reported to the local pension board and any employer that continues to fail to meet the statutory requirement to pay contributions over to the Pension Fund within prescribed deadlines will be at risk of being reported to the Pensions Regulator who has the power to issue fines.

**IMPORTANT NOTE:** If you are a Scheme employer that uses a third-party payroll provider you need to be clear that it is your responsibility as the Scheme employer, not the payroll provider, to ensure that the requirements of the regulations and the procedures set out by the scheme manager are adhered to. Any notices that may be issued will be sent to the Scheme employer and not the payroll provider. The Scheme employer must ensure that, where they are happy for their payroll provider to submit contribution payments direct to the Pension Fund, the correct contribution rates are being used (both employee and employer) and that payments are made within the statutory deadlines. The payroll contract is between the Scheme employer and the payroll provider and not the Pension Fund.

## **3.0 PROCEDURES**

### **3.1 *Assessing employee contributions***

At 1 April each year a Scheme employer has to assess the rate of contribution that each of their employees should pay for the forthcoming Scheme year (1 April to 31 March). Where an employee may hold more than one post, the Scheme employer must assess the contribution rate applicable to each post in isolation of each other.

### **3.2 *Additional employee contributions***

Where an employee has elected to pay additional pension contributions into the LGPS, the correct contribution amount must be deducted. These contributions could be in respect of a number of things but in most cases will be as a result of a member paying:

- Additional Pension Contributions (APCs)
- Additional Regular Contributions (ARCs)

- Added Years Contributions (AYs)

APCs were introduced into the Scheme regulations with effect from 1 April 2014 and can be at full cost to the employee or a shared cost between the employee and the employer. It is important for an employer to notify the Pension Fund of a breakdown between employee and employer contributions.

ARCs are no longer available to Scheme members but any ARC contract in place prior to 1 April 2014 for a period extending beyond that date must be honoured and contributions must continue to be deducted from the employee.

As with ARCS, any employee paying for added years under former regulations must continue to have those contributions deducted until the added years contract ends.

**NOTE:** Additional Voluntary Contributions (AVCs). If you have employees paying AVCs with Prudential you must pay those contributions direct to Prudential each month and **NOT** to the Berkshire Pension Fund.

### 3.3 *Employer Contributions*

A scheme employer must ensure that the correct employer contribution rate is deducted on behalf of the scheme members in accordance with the rates and adjustment certificate issued by the Fund's actuary as part of the triennial valuation process.

The total contribution payable by employers consists of two elements:

- The primary rate; and
- The secondary rate.

The primary rate covers the cost of future benefit accrual whereas the secondary rate is the adjustment required to meet past liabilities (for example, to recover a funding deficit identified).

The rates and adjustment certificate sets out the primary contribution as a percentage of payroll. The secondary rate can be expressed as either a percentage of payroll or as a monetary value.

## 4.0 **COMPLETING THE CONTRIBUTION RETURN**

The Berkshire Pension Fund has produced a multi-worksheet excel spreadsheet that must be completed each month and submitted to the Pension Fund. No other form of notification should be used and where an alternative format is submitted it will be returned with a request to use the appropriate spreadsheet.

When you first open the spreadsheet you will see 14 tabs at the bottom, the first one being a cost centre and contribution rate 'look up table'. There will then be 12 tabs labelled for each month of the year with the final tab being a totals spreadsheet which adds up the payments made month by month throughout the year.

The diagram on the next page shows the contribution return for April 2023 payable by 19 May 2023 which you will see by first selecting the April tab in the spreadsheet. Completion notes follow the diagram which make reference to the various fields to be completed. Start by selecting your employer name by using the drop-down list function.

ROYAL COUNTY OF BERKSHIRE PENSION FUND  
 LOCAL GOVERNMENT PENSION SCHEME  
 PAYMENT OF CONTRIBUTIONS - LGS16



PLEASE COMPLETE & RETURN WHEN PAYMENT IS MADE TO PENSION FUND  
 Email to : LGPS@RBWM.gov.uk

EMPLOYER NAME:

ABC Employer

REFERENCE (COST CENTRE - check look up table if in doubt):

QK53

CONTRIBUTIONS FOR PERIOD ENDING:

30/04/2023

PAYMENT DUE NOT LATER THAN:

19/05/2023

A. Employee Standard Contributions (EES)

1. Care Main Scheme

2. Care 50/50 Scheme

B. Employee Additional Contributions

1. Post April 2014 Employee Additional Contributions (i.e. APCs)

2. Pre March 2014 Employee Additional Contributions (i.e. ARCs and Added Years)

DO NOT INCLUDE AVCs

C. Employer Contributions (primary: 0.0% of pensionable payroll)

£15,000.00

D. Employer Contribution (secondary: 0.00% of pensionable payroll)  
 Have you pre-paid Secondary Contributions this year?

£8,000.00  
 No

E. Total Contribution Amount: ( = A + B + C + D )

£23,000.00

Less:

F. Monthly Equivalent of Pre-paid secondary contribution (if applicable)

£0.00

G. Adjustments to above (please specify below)

H. PENSIONABLE PAYROLL FOR THE MONTH

£100,000.00

Reason for adjustments:

I. Total amount payable: ( = E + F + G )

£23,000.00

J. Method of Payment (BACS or cheque)

K. Date bank transfer to be credited (if applicable):

Payments to be made to Lloyds TSB  
 Sort Code: 30-95-36 Account: 00092302

1) Select your employer name from the dropdown list

3) Indicate whether or not you have prepaid secondary contributions – this will only be applicable to a small minority of employers. If in doubt – indicate “no”

2) Enter amount of pensionable payroll for the month, this will automatically populate C & D based on the rates and adjustments

By inserting the employer name from the dropdown menu a lot of information will automatically be populated into all of the 12 monthly worksheets (obtained from the look up table) and you should not need to insert this information again throughout the year. This information includes the cost centre, the employer primary and secondary

contribution rates and the monthly deficit contribution amount if you are an employer that is making monetary deficit recovery payments. If you are in any doubt about your certified employer contribution rates you can view the rates and adjustment certificate on the Berkshire Pension Fund's website as follows:

<https://www.berkshirerensions.org.uk/bpf/employers/employer-contributions>

Please ensure that for the fields you must complete each month that you provide the correct figures into the correct fields of the correct worksheet each month otherwise the totals will not add up correctly.

It is important that you use the correct tab for the correct month. You cannot change the dates contained within each worksheet as these have been hard-coded which will hopefully prompt you to move to a different tab should you try to amend those fields.

You will also see some text in RED when you access each worksheet. This will disappear once you have completed the worksheet correctly indicating that it is ready for submission to the Pension Fund.

A feature of the worksheets since 1 April 2017 is that there is a Government Actuary's requirement to report employee contributions (Field A) split between CARE MAIN scheme and CARE 50/50 scheme contributions and also employee additional contributions (Field B) split between pre and post April 2014 contributions. Put simply, in field B1 you need to insert the total of all employees' Additional Pension Contributions (APCs) (as these only came into existence from 1 April 2014) and in field B2 you need to insert the total of all employees' Additional Regular Contributions (ARCs) (as these contracts will have commenced before 1 April 2014) plus any old Added Years contributions where a scheme member will have entered into a contract before 1 April 2014 to purchase additional scheme membership (new contracts not available since before 1 April 2014).

A further feature of the worksheets from 1st April 2022 is the Fund's requirement to account for employer primary and secondary contributions separately. This information is captured in fields C and D of the contribution form. The percentages will pre-populate and where your employer make payment of secondary contributions as a monetary value that value will also pre-populate. There is also a YES/NO box to complete to confirm whether you are an employer or not, as the case may be, that has pre-paid in advance secondary contributions for the whole year.

Upon inputting your pensionable payroll figure in field H a value will appear in field C representing the primary employer contributions for the month, this being the relevant percentage of the payroll figure recorded. It may be that this figure will not match with the primary contribution amount on your payroll system as some adjustments may need to be made. An example of this may be where an individual has been on a leave of absence with reduced pay but the employer contribution has to be calculated on the full rate of pay that the individual would normally have expected to receive but for their absence. These total of these adjustments should be recorded in field G with an explanation for these adjustments being recorded in "reasons for adjustments" box.

Of course, you may not have any adjustments to make to the monthly value you are submitting to the Pension Fund in which case you will not need to complete field G and provide any explanation in the large blue box headed 'reasons for adjustments'

Once you have completed your return you should submit the whole spreadsheet (not just the single worksheet) to the Berkshire Pension Fund. An electronic mailbox has been set up for this purpose and must be used only for the submission of contribution returns. The email address you must use is:



## **lgps@rbwm.gov.uk**

When sending your email insert in the subject field, for example, "Contribution Return April 2023" and don't forget to attach the spreadsheet.

You should use the same spreadsheet throughout the year but simply update the relevant worksheet for the month in question. In this way, by the end of the financial year, we will have a complete record of all the contributions you have paid to the Fund in one place enabling us to perform certain reconciliations required of an administering authority in line with scheme regulations.

### **5.0 CHECKLIST**

*Every time you submit a contribution return remember the following:*

- *Complete all of the blue fields (with the possible exception of the deficit recovery payment and adjustment fields);*
- *Make sure you have the correct cost centre code;*
- *Make sure you have the right primary and secondary employer contribution rates;*
- *Make sure that you input the monthly pensionable pay figure and that before submitting the spreadsheet the **RED** text has disappeared from the worksheet;*
- *Submit the whole spreadsheet as an attachment to an email and send your email to the correct email address set up purely for contribution returns i.e. [lgps@rbwm.gov.uk](mailto:lgps@rbwm.gov.uk)*
- *Be certain that you make payment of your contributions as soon as possible and in any case by the 19<sup>th</sup> of the following month at the very latest;*
- *Keep the Berkshire Pension Fund up to date with details of the officer(s) responsible for submitting the return and making payment of the contributions to the Pension Fund. Provide name, job title, direct telephone number and email address.*