

# **Annual Pension Fund Meeting**

## **October 8<sup>th</sup> 2013 2pm**

### **Changes to the Local Government Pension Scheme from 1/4/2014.**



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**Disclaimer:** The information contained within this presentation, is intended as a guide and is based upon our best understanding of the intention of the existing and forthcoming regulations and can in no way override the content of the full regulations and official interpretation of such.



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# Annual Pension Benefit Accrual

- Up to 31/3/2008:
  - $\frac{1}{80} \times \text{membership} \times \text{final salary on leaving.}$   
(w/t or p/t) (w/t equiv.)
  - *(plus a  $\frac{3}{80}^{\text{th}}$  lump sum accrual)*
- From 1/4/2008 to 31/3/2014:
  - $\frac{1}{60} \times \text{membership} \times \text{final salary on leaving.}$   
(w/t or p/t) (w/t equiv.)
- From 1/4/2014
  - $\frac{1}{49} \times \text{actual salary during year} \times \text{CPI to leaving.}$   
(w/t or p/t)

# Members' Contribution Rates

From	To	Current	April 2014 Rate
Up to £13,500		5.50%	⇒ 5.50%
£13,501 to £13,700		5.50%	↑ 5.80%
£13,701 to £16,100		5.80%	⇒ 5.80%
£16,101 to £20,800		5.90%	↓ 5.80%
£20,801 to £21000		6.50%	↓ 5.80%
£21001 to £34000		6.50%	⇒ 6.50%
£34000 to £34,700		6.50%	↑ 6.80%
£34,701 to £43000		6.80%	⇒ 6.80%



# Members' Contribution Rates

£43001 to £46,500	6.80%	↑	8.50%
£46,501 to £60000	7.20%	↑	8.50%
£60001 to £85000	7.20%	↑	9.90%
£85001 to £87,100	7.20%	↑	10.50%
£87,101 to £100,000	7.50%	↑	10.50%
£100,001 to £150,000	7.50%	↑	11.40%
More than £150,000	7.50%	↑	12.50%
		↑	
Average	6.50%		6.50%



# Other Key Changes

- **Contribution rates** – now linked to actual pay rather than w/t equiv.
- **Pensionable Pay** – to be redefined to include overtime
- **Normal Pension Age** – now linked to new SPA (min 65).
- **Early retirement** – member may opt for reduced benefits from age 55.
- **50/50 option** – member may opt to pay half rate contributions for a half rate benefit accrual.

# **Other Key Changes Cont.d.**

- **AVCs** – the 50% cap is to be removed.
- **Vesting period** – increased from 3mths to 2yrs.
- **Life Time Allowance** – will reduce from £1.5M to £1.25M
- **Annual Allowance** – will reduce from £50k to £40k



# Protections for existing members

- **Final salary link** - for pre April 2014 benefits.
- **85 year rule** – existing protections are carried forwards.
- **2008 benefit underpin** - for those within 10 years of age 65 at April 2012, and who retire at 65 or over.
- **Existing deferred or pensioner members** – no changes to entitlement.

All protections are subject to the conditions set out in the forthcoming transitional regulations.

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### **Employer Responsibilities**



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# **The Nottinghamshire Pension Fund**

- Number of Scheme Employers increased from approx. 140 in 2008 to +230 currently
- Result of Academy conversions and TUPE arrangements
- Main role of the Pensions Office:-
  - Maintain records for
  - Calculate, process & pay benefits
  - Approx. 38000 active scheme members
- In line with Regulations

# Employer Responsibilities

- Role of Pensions Office to support Scheme Employers to undertake responsibilities in line with regulations:-
  - Payment of pension contributions
  - Notifications of Starters/Leavers/Changes etc. in line with processes
  - Supply required Year End Information
- Client Liaison Team:-
  - Meetings for new Academy Employers
  - Year End meetings
  - Employers' Website/Full Guide

# **LGPS 2014 – Main Impacts for Scheme Employers**

- Separate records per job
- Two sections of the scheme
  - Main Scheme
  - 50/50 Scheme
- Pensionable Pay
- Assumed Pensionable Pay (APP)
- Employee and Employer contributions
- Year End requirements

# Separate Records Per Job

- Each post held separately on payroll system
- Ability to assess separately re:-
  - Employee contribution bandings
  - Employee contribution payments
  - Cumulative Pensionable Pay
  - Cumulative Assumed Pensionable Pay (APP)
- Ability to report above separately (e.g. at year end)

# Two Sections of the Scheme

- Main Section (full scheme)
  - Employee joins main section initially
- 50/50 Section (half contributions/half benefits)
  - No limit on movement between sections
  - Applicable from next available pay period
  - Same Employer Contribution rate applies
- Payroll systems must provide for movement between sections during year
- Separate cumulative pensionable pay and contribution information held for each section (and job).
- Separate start and end dates held for each section.

# Pensionable Pay

- From 01/04/2014:-
  - non-contractual overtime will be pensionable
  - excess hours worked will be pensionable
  - only items of pay listed on the exclusions list would be non pensionable (travelling, payments in lieu etc.)
  - Benefits accrue based on pensionable pay received\* rather than pensionable pay due
    - See \*APP slide

# Assumed Pensionable Pay (APP)

- APP is added to cumulative Pensionable Pay where:-
  - Pay reduced or zero due to sickness
  - Maternity, Paternity or Adoption leave (paid)
  - Reserve Forces leave
- Based on last complete 3 months or 12 weeks pensionable pay (excluding lump sum payments e.g. bonus)
- Add back any regular lump sum in last 12 months
- CPI applies if APP applies over 2 years

# Employee and Employer Contributions

- Nine contribution bands
- Band determined by actual pensionable pay
- Employer can determine to change band due to employment or material change
- Employee/er contributions deducted on any pensionable pay received
- Employer contributions deducted on APP for child related leave (paid)
- Employer contributions deducted on reduced or zero pay for sickness



# Year End Information

- Minimum requirements defined in the Regulations
- Cumulative pensionable pay
- APP
- Cumulative contributions
  - Employee
  - Employer
  - Additional
- Start/leave dates
- 50/50 scheme information
- FTE pay (pre 2014)
- Hours changes and breaks in service (pre 2014)
- Guidance/specification will be required

# Support Available

- Client Liaison Team
  - [client-liaison.lgps@nottsccl.gov.uk](mailto:client-liaison.lgps@nottsccl.gov.uk)
  - Supply updates to employer contacts
  - Employer meetings
- Full Employers' Guide
- Year End Guide including specifications/templates
- Employers Website
  - <http://employers.nottspf.org.uk>

# LGA Employers support programme

- Meetings with payroll & pensions software providers
- Employer briefing note at <http://www.local.gov.uk/web/lgaworkforcepensions/lgps2014comms>
- Payroll on HR specification at <http://www.lgpsregs.org/>
- High level regional employer briefings
- Workshops / seminars <http://www.local.gov.uk/web/lgaworkforcepensions/training-and-events>



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# Any Questions?



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