

Buckinghamshire County Council Pension Fund Employer's Newsletter – DECEMBER 2015



Welcome to our quarterly employer's newsletter.

Details of bulletins and circulars issued by the Local Government Association (LGA) since the last newsletter are detailed below. All previous circulars and bulletins are on the LGA website at:

<http://www.local.gov.uk/web/workforcelibrary/lgpc-bulletins>

LGPC Bulletins

LGPC issue a bulletin every month to update scheme administrators on where we are with changes to the Local Government Pension Scheme (LGPS). The bulletin is quite detailed and is designed for scheme administrators. We highlight issues to Employers as necessary.

[Bulletin 135](#) – September 2015 Items of relevance to Employers have been included in this Employer newsletter.

[Bulletin 136](#) – October 2015 Items of relevance to Employers have been included in this Employer newsletter.

[Bulletin 137](#) – November 2015 Items of relevance to Employers have been included in this Employer newsletter

LGPC Circulars

LGPC Circulars are used to notify all Employers of LGPC training events. Circular 294 (November 2015) advertised LGPS training on: CARE, Pay and Final Pay and Auto-enrolment and the LGPS. Course dates and locations follow. Please click on the date to book your place via the LGA Events website.

UNDERSTANDING...CARE, Pay and Final Pay

Workshop dates, locations & venues:

05 January	London	Local Government House
12 January	Birmingham	Jury's Hotel
19 January	Cardiff	Marriott Hotel
26 January	Leeds	Marriott Hotel

UNDERSTANDING...AUTO-ENROLMENT & THE LGPS

Workshop dates, locations & venues:

09 February	Cardiff	Marriott Hotel
16 February	London	Jury's Hotel
23 February	Birmingham	Local Government House
01 March	Liverpool	Marriott Hotel
08 March	Leeds	Marriott Hotel
15 March	Exeter	Rougemont Hotel

Pension Fund Investment Update

The Fund, excluding private equity investments, achieved a return of -3.4% for the quarter, outperforming its benchmark of -2.9% by 0.5%. The value of the whole Fund as at 30 September 2015 was £2.112bn. A return of 3.1%, representing underperformance of 0.7% compared to the 2.4% benchmark, for the twelve month period is reported. A return of 9.0%, representing annual outperformance of 1.1%, compared to the 7.9% benchmark for the three year period is reported.



Team Updates

P&I Team - Staffing Update

Principal Pensions Officer (Governance & Employer Liaison) – Welcome to Bhupendra Rajawat (Raj) who is managing the Employer Liaison Team while Claire Lewis-Smith is on maternity leave. Raj has worked in pensions for many years at a variety of different organisations administrating both DB and DC schemes.

Employer Liaison Team – Unfortunately Katrina Blakeman and Paula Oliver will be leaving the Employer Liaison Team at the end of December. We wish them both the very best of luck for the future. If Katrina or Paula were the named first point of contact for your organisation, please redirect your queries to employers@buckscc.gov.uk for the time being.

Benefit Administration Team – Megan Cawley has been appointed to the role of LGPS Training Officer with effect from 1 January 2016. We have strengthened our team, by making appointments to a few new posts in the Benefit Administration Team; to deal with our heavy workloads and steady increase in member queries. Thank you for continuing to bear with us while the new staff members are trained.

TUPE transfers out and Academy conversions

If your organisation is in the process of a TUPE transfer out, please get in contact with Marie Edwards, TUPE Liaison Officer, mpedwards@buckscc.gov.uk. Marie deals with admission agreements and bulk transfers. Marie also deals with the LGPS pension rights of support staff working for schools converting to Academy status.

Administration Update

The End of Contracting Out

Employer action required

HMT have issued employer packs via Directors of Finance about the ending of contracting out and the new State Pension. We also emailed a copy of the DWP materials to all our Employer contacts on 15 December. HMT are recommending that employers communicate the changes to NI to their staff.

There is a regulatory requirement for Schemes to inform their members they are no longer contracted out. We will send a brief Scheme notification to inform members that the LGPS will cease to be a contracted out scheme from April 2016. Details of our planned communications for 2016 are as follows:

- An article in our annual Pensioner newsletter (approx. 17,000 pensioners of the BCC Pension Fund)
- An item in our Deferred Member annual benefit statement mailing (approx. 18,500 ex-employees/optants out who have left their LGPS benefits in our Fund until retirement)
- An item in our Active Member annual benefit statement (approx. 25,000 current, contributing Scheme members)

Please communicate the changes to your staff using the materials provided. You may like to display the DWP posters, or add notes on your intranet signposting your staff to the DWP website. You should also add a note to your April payslips, as any member of a contracted out scheme will see an increase in their National Insurance contributions (and therefore a drop in their take home pay) in April 2016. Taking action now should lessen the queries your payroll teams get in April 2016.

Contracted-out Pension Equivalent (COPE)

From November 2015, DWP are including a Contracted-out Pension Equivalent (COPE) amount within State Pension statements. This estimated amount is being introduced to help customers, who've been contracted-out, see how National Insurance contributions paid before 6 April 2016 will contribute to their overall pension income.

Whilst contracted out members may not be entitled to the full amount of new State Pension, they will instead receive some of their pension income through a different route. In most cases, their workplace or personal pension scheme(s) should include an amount that is at least equivalent to the additional State Pension they would have got if they hadn't been contracted-out. This is known as the COPE amount. We await detailed guidance of how this will work in practice and will update you as necessary.

Lifetime Allowance

The lifetime allowance was introduced in 2006 and was reduced in 2012 and again in 2014. Each time the lifetime allowance reduced, people who had already planned their pension savings on the basis of the higher lifetime allowance could protect their pension savings by applying to HMRC and should have received a certificate to confirm their protection. However they may still be subject to the lifetime allowance charge if they lose this protection.

Employers are encouraged to make any members who may benefit from individual protection 2014 (protection from the reduction to the lifetime allowance to £1.25 million which became effective in April 2014) aware that they may still apply for this protection up until 5th April 2017. Members can find more information about how to do this, along with other information about the existing protections and when these may be lost at [Tax on your private pension contributions - GOV.UK](#) .

The lifetime allowance is further reducing to £1 million from 6 April 2016. HMRC have confirmed that Individual and Fixed protections will be available. Members will be able to apply for Fixed protection 2016 and Individual protection 2016 by using a new HMRC on-line self-service system which will be available from July 2016. The new self-service system is still being developed and we will provide you with more information on this in due course.

Tapered Annual Allowance

A tapered annual allowance is being introduced from 6 April 2016 for members who have a “threshold income” in excess of £110,000 and “adjusted income” in excess of £150,000. For every £2 that a member’s adjusted income exceeds £150,000, their annual allowance will be tapered down by £1 (to a minimum of £10,000).

Future pension input periods will be aligned with the tax year, for consistent measurement of pension accrual and earnings, the Government has split the 2015-16 tax year into two mini tax years – “pre-alignment” and “post alignment”.

We sent the HM Treasury technical guidance to all Employers on 24 July 2015 to cascade as appropriate, with a recommendation that members who may be affected by these changes take independent financial advice.

Explanatory note: Assumed Pensionable Pay and Final pay (2008 Scheme definition)

LGA have provided a broad overview of the principles that Employers and their payroll providers should be adopting in providing the two bits of information where most problems with annual returns were noted, assumed pensionable pay and full time equivalent pay (2008 definition).

The LGA have confirmed that on the Annual Return, we require Final Pay (2008 scheme definition) for the Scheme year, and not as at 31 March. Regulation 68 (4)(a) of the Admin Regulations 2008 requires that *“the illustration must be calculated, in the case of active members, on the member’s pay (or, as respects part-time employees, the whole-time equivalent) for the 12 month period ending with the relevant date;”*

As a result of our year-end training presentation in March 2015 (face to face presentation which was later emailed to all Employers), our Employers should already be familiar with the detail of the requirements. However, we are providing the explanatory note to assist any employers who have had data problems. The note is available from our website at <http://www.buckscc.gov.uk/about-your-council/local-government-pension-fund/employers/employers-guides-forms-and-booklets/>

Revision of year end return template

We have made a few changes to the year end return template and will circulate this to all Employers in January, so that our Employers and their payroll providers can familiarise themselves with the data requirements.

Automatic Enrolment

Our larger employers may reach the anniversary of their AE staging date and our smaller employers may reach their AE staging date soon. Please refer to the LGA’s Automatic enrolment guidance if you have any queries. The guide is available online from <http://www.lgpsregs.org/index.php/guides/administration-guides-to-the-2014-scheme>

New Clerical Medical AVC payment schedule

Clerical Medical in particular are receiving numerous AVC payments every month where no schedule has been provided and therefore payments cannot be allocated to individual employees' AVC funds. As a result of this, Clerical Medical have provided a new schedule to be used for members who pay into Clerical Medical AVC Funds. The revised Clerical Medical schedule was attached to the December 2015 newsletter notification email.

If a payment is received by Clerical Medical or Prudential without a schedule, the payment will be returned to the Employer. This will result in the member's contributions not being applied at the correct date and the Employer will be responsible for any shortfall.

Pensionable Remuneration calculation spreadsheet

Attached to the December 2015 newsletter notification email was an updated version of our Pensionable Remuneration calculation spreadsheet (PR calc). You should be very familiar with this spreadsheet – it is used for the calculation of the Final Pay (2008 scheme definition) for members who have pre-2014 LGPS membership. Please use the updated version (it has a light blue background) as it is more suited to scanning to the member's record. If you need any help in completing the spreadsheet, please email employers@buckscc.gov.uk

Submission of Spreadsheets

As per our SLA (page 1 and 2), please submit starters, changes, CARE election and opt out spreadsheets to pensions@buckscc.gov.uk by the 15th of every month, and the monthly contribution spreadsheets to lgpsreturns@buckscc.gov.uk by the 19th of every month. This is to make sure that all spreadsheets are processed within the regulatory time limits. If these deadlines are not met, fines may be imposed.

Contacting the Fund's Actuary

As a reminder, please note that there is **always** a cost implication when contacting the Fund's actuary for advice or information, whether the Employer contacts the Actuary directly or contacts them through us. We have asked the Fund's Actuary to refer back to us all direct requests from Employers. If your organisation requires any information from Barnett Waddingham e.g. FRS17, valuation queries, actuary's report when applying for admitted body status or cessation, etc. please send your request to employers@buckscc.gov.uk. We will make arrangements for the relevant report and we will recharge the actuary's fees back to the Employer.

Deferred Benefit Statements

We have begun to send out our 2014/15 deferred member's benefit statements, so you may see a rise in queries from members requesting their ex-Employers consent to their early release of pension benefits. These requests should be processed in accordance with your LGPS discretionary policy (see below for more guidance on this).

LGPS Employer Discretionary Policies

This is a standing item on our Employer newsletters. The 2014 Scheme contains a provision that Employer discretions policies under the 2014 Scheme must be prepared, published and copied to the Pension Fund administering authority within three months of 1st April 2014. Any subsequent revisions to the policies must be published and copied to the administering authority within one month of the change in policy.

Please be aware that all LGPS Employers **MUST** have a LGPS discretionary policy in place. Not only is this a regulatory requirement, but:

- Under revised CIPFA Guidance, we have to report on the number of Employers' LGPS discretionary policies we hold within our Pension Fund Annual Report
- We will not process any quotes for employers who have not submitted their LGPS discretionary policy.

The relevant discretions are:

- Whether to grant additional pension of up to £6,500 per annum (increased each April) to an active Scheme member or within 6 months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency.
- Whether, where an active Scheme member wishes to purchase extra annual pension of up to £6,500 by making Additional Pension Contributions (APCs), to (voluntarily) contribute towards the cost of purchasing that extra pension via a Shared Cost Additional Pension Contribution (SCAPC).
- Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of the

employer, reduce their working hours or grade.

- Whether, as the 85 year rule does not (other than on flexible retirement) automatically apply to members who would otherwise be subject to it and who choose to voluntarily draw their benefits on or after age 55 and before age 60, to switch the 85-year rule back on for such members.
- Whether to waive any actuarial reduction on benefits paid early.

A guide is available from the national LGPS Regulations and Guidance page at:

<http://www.lgpsregs.org/index.php/guides/hr-guide-to-the-2014-scheme?showall=&start=20>.

If you haven't already done so, or if you are a new Employer in the BCC Pension Fund, please send your LGPS 2014 Employer discretionary Policies to employers@buckscc.gov.uk.

Distribution and feedback

Please ensure that relevant staff in your organisation, including your bursar / finance managers, HR managers **and your payroll provider(s)** receive this newsletter. We also welcome any feedback on the format and content of this newsletter so if you have any comments or suggestions, or would like to add or change any of the contact details on our distribution list, please email employers@buckscc.gov.uk



Thank you for your support and co-operation during 2015.

The Pensions & Investments Team wish all our Employers and members a safe, happy Christmas & all the best for 2016!