

Pension Fund Consultative Group

Title:	LGPS 2014
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Author:	Claire Lewis-Smith, Principal Pensions Officer (Governance & Employer Liaison)
Contact officer:	Claire Lewis-Smith, 01296 383475
Electoral divisions affected:	N/A

Summary

The Local Government Pension Scheme Regulations 2013 were made on 12 September 2013 and laid before Parliament on 19 September 2013. The Regulations come into force on 1 April 2014. These Regulations have been made as a result of the reform of public sector pension schemes and there are significant changes to communicate to various LGPS stakeholders. This report outlines the impact on payroll systems, some of the main scheme changes and the Pensions & Investments Team's proposals on implementing and communicating these changes.

Recommendation

The Group are asked to note the main changes outlined in this report and comment on the proposed implementation plan.

Background information

Employers need to ensure their payroll systems/payroll provider's systems can adequately meet the data requirements for the Scheme. On and from 1 April 2014, employers will be required to:

- Ensure, where an employee has more than one job, that each job is held separately, with the ability to deduct a separate employee contribution rate in each job (i.e. the employee contribution rate in one job may be different to that in another job);
- Have the ability to potentially change the employee contribution rate each pay period (e.g. if the employee's pensionable pay varies from pay period to pay period);



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- Ensure employee contribution rates are determined by reference to pensionable pay received (not full-time equivalent pensionable pay rates);
- Hold separate cumulative figures of employee contributions paid and pensionable pay for each job;
- Have the ability to operate the 50/50 section of the Scheme on any or all of the jobs;
- Hold, separately to the full section of the Scheme, the cumulative figures of contributions paid and pensionable pay for each job where the member is in the 50/50 section of the Scheme;
- Have the ability to deal with the member moving between the full section of the Scheme and the 50/50 section of the Scheme and back to the full section (and vice versa) within one financial year, ensuring the cumulative figures for any periods in the full section during the year are totaled and the cumulative figures for any periods in the 50/50 section during the year are totaled;
- Report start and end dates for each period in the full and 50/50 sections;
- Calculate the assumed pensionable pay for members on reduced contractual pay or nil pay due to sickness or injury, for each job;
- Calculate the assumed pensionable pay for members on reduced or nil pay
 - during a period of ordinary maternity, paternity or adoption leave, and
 - during any period of paid additional maternity, paternity or adoption leave for each job;
- Ensure the cumulative figures for pensionable pay include the assumed pensionable pay for the above periods of reduced or nil pay, for each job;
- Ensure the actual pensionable pay for the above periods of reduced pay is not included in the cumulative figure for pensionable pay, for each job;
- Have the ability to deduct the appropriate pension contributions on actual pensionable pay received during the above periods of reduced pay, whilst holding assumed pensionable pay in the accumulations, for each job;
- Operate the 2014 Scheme definitions of pensionable pay (which will include pay elements that were not pensionable under the 2007 definition of pensionable pay e.g. non-contractual overtime will be pensionable under the 2014 Scheme);
- Deduct employee and employer contributions from, and include in the cumulative pensionable pay figures per job, any pensionable emoluments (e.g. child care vouchers via a salary sacrifice arrangement);
- Hold separately, per job, the pensionable pay cumulative each year as if the 2007 scheme pensionable pay definitions were still in operation;
- Report changes in contractual hours to the administering authority;
- Report periods of absence due to
 - a trade dispute,
 - authorised leave of absence, or
 - unpaid additional maternity, paternity or adoption leave
 for an employee who was 55 or over on 1 April 2012, which occur before age 65 and for which the employee has not paid any pension contributions (and has not paid any additional pension contributions to buy-back that period);
- Exclude from the post 31 March 2014 pensionable pay cumulative amount (per job) any pensionable pay paid post 31 March 2014 that relates to a period prior to 1 April 2014;
- Have the ability to hold pensionable pay accumulations up to a point in time where the member has a certificate of protection of pension benefits; and
- Have the ability to hold pensionable pay accumulations at age 65 for members aged 55 and over at 1 April 2012.

Main scheme changes

The main features of the LGPS 2014 are:

New scheme design principles

- the change from a final salary pension scheme to a Career Average Revalued Earnings (CARE) scheme. Benefits from 1 April 2014 onwards will no longer be based on membership and final pay. Scheme members will accrue 1/49th of their pensionable pay per year.

Future scheme management principles

- the requirement by the Public Service Pensions Act 2013 to have a scheme advisory board at national level. The board's role will be to make recommendations to the Secretary of State, the Pensions Regulator and to local boards to improve the effective administration, governance, performance and cost management of the LGPS.
- the requirement for each administering authority to establish a pensions board at local level. The pension board will be responsible for assisting the administering authority in relation to securing compliance with the Regulations, other legislation relating to the governance/administration of the Scheme and requirements imposed by the Pensions Regulator in relation to the Scheme.

New scheme benefits

- CARE scheme with 1/49th accrual - this means that for each year of membership you will build up a pension of 1/49th of your pensionable pay for that year.
- pension revalued in line with the Consumer Prices Index (CPI) - each year the pension built up will increase/decrease in line with CPI.
- actual pensionable pay to include non-contractual overtime & additional hours for part-time staff - this could result in some staff being placed into higher contribution bands.
- contributions are based on actual pay rather than the full time equivalent pay - this will result in some part-time staff being placed into a lower band than in the 2008 Scheme
- change to contribution bands – the 5.9%, 7.2% and 7.5% bands have been removed. Additional bands of 8.5%, 9.9%, 10.5%, 11.4% and 12.5% have been introduced. The average employee contribution will be 6.5% which is the same for the 2008 Scheme.
- 50-50 option – members will be able to pay half of their normal contribution rate and build up half of the pension for that period. The full value of death in service benefits are retained while a 50/50 election is in force. The 50/50 election remains in force until the member opts back into the main scheme or until they are brought back into the Scheme under auto-enrolment provisions.
- change in retirement age – the Scheme retirement age is linked to a member's State Pension Age (SPA). SPA is due to rise to 67 between 2034 and 2036 but the Government has announced plans to speed this up to between 2026 and 2028.
- vesting period of 2 years – in order to be entitled to benefits, members will need to have attained 2 years membership in the Scheme, an increase from 3 months in the LGPS 2008.
- reduction in the earliest age benefits can be paid – the earliest age benefits can be paid from voluntarily in the new Scheme is age 55. There will be actuarial reductions applied to benefits.

Implementation Plan

The main source of detailed information for the 2014 Scheme for employees and employers within the Buckinghamshire Pension Fund will be our web pages. Our Communications Officer

will be maintaining the web pages and ensuring the latest changes/information will be published as soon as they are received.

- Those employees who have received annual benefit statements for 2013 will have also received a newsletter detailing the 2014 proposals. The newsletter is also available on our scheme members section on our website (www.bucksc.gov.uk/pensions)
- Training for all employers on the new scheme has been arranged for 13 December 2013 at County Hall.
- Regional road shows for employees will take place from 16 October 2013 to February 18 2014.

All of the above have been notified to employers in their September newsletter.

Training for members of the Pensions & Investments team has been arranged for 17 January 2014.

Resource implications

The Pensions & Investments Team has increased its staffing levels to meet the resource required to communicate the scheme changes to employees and employers, and to implement changes to the administration software. Although the Regulations have been laid in Parliament 5 months later than originally anticipated, CLG are confident the new Scheme will be in place by 1 April 2014.

Legal implications

Buckinghamshire County Council as administering authority and all scheme employers within the Buckinghamshire Pension Fund, must comply with the requirements of The Local Government Pension Scheme Regulations 2013

Other implications/issues

N/A

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

N/A

Background Papers

The Local Government Pension Scheme Regulations 2013
<http://www.legislation.gov.uk/uksi/2013/2356/contents/made>
