

Pension Bulletin No. 24

LGPS 2014—Payroll considerations for employers.

May 2013

Key Points:

- The new LGPS 2014 proposals may have a significant impact on the information to be provided to scheme administrators by scheme employers/payroll providers.
- Please ensure you are aware of the payroll considerations set out below, which are based on the current draft legislation.

Further Detail:

As the Local Government Pension Scheme is changing in 2014, there are a number of payroll considerations which we need to make you aware of as early as possible, as these may require modifications to your payroll system.

These changes are mainly as a result of a different pensionable pay definition, the move to a CARE (career average revalued earnings) scheme and the protections that may apply to scheme members with LGPS membership prior to the introduction of the new scheme (1st April 2014) as well as, potentially, those who have been members of other Public Service Pension Schemes.

We wanted to make you aware of the possible changes, as soon as possible, so you can ensure your payroll will deal with the requirements of the new regulations.

Additionally, you may be considering a move of payroll provider/system and so you may like to take the following into account when carrying out the procurement process.

Although the overall policy for the new Scheme has been determined, please be aware that the regulations are in draft form, with some parts yet to be drafted, so the final position may be slightly different to that stated.

Payroll considerations:

Based on the draft regulations you may be required to:

Ensure, where an employee has more than one job with you, 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);

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 (say) 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 totalled and the cumulative figures for any periods in the 50/50 section during the year are totalled;

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 31st March 2014 pensionable pay cumulative (per job) any pensionable pay paid post 31st March 2014 that relates to a period prior to 1st 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 1st April 2012.


It should be noted that, whereas under the 2007 Scheme Regulations, final pay for the purposes of calculating retirement benefits was based on the member's whole-time equivalent pensionable pay **due** for (normally) the last 12 months of membership, benefits in the CARE scheme will accrue on a year by year basis and will be based on the actual pensionable pay or assumed pensionable pay **received** in the Scheme year (ending 31st March) and not on the pensionable pay **due** for the year.

Please be aware the final position may be slightly different to that stated. We will keep you updated as work progresses on this.

Contact us:

Should you have any questions regarding this bulletin, please do not hesitate to contact us;

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