

# Pension Pointers

Pension Pointers is a series of factsheets covering a range of topics to assist employers with the administration of the Local Government Pension Scheme in Berkshire.

## Contributions



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Pension Scheme

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THE ROYAL COUNTY OF  
**BERKSHIRE**  
PENSION FUND

# Employee Contributions

The LGPS is a Contributory pension scheme which means that employees and employers pay a percentage contribution every month to remain a member of the Scheme. Since 1 April 2014 there are two sections in the LGPS - the **MAIN** Section and the **50/50** Section.

## MAIN Section

On joining the LGPS a new member must be automatically enrolled into the **MAIN** Section of the Scheme. The **MAIN** Section of the Scheme is the section employees will be placed in automatically when they commence employment. In that section, they pay normal contributions and receive the normal pension build up. The contribution rate bandings for the **MAIN** Section 1 April 2019 to 31 March 2020 are as follows:

| MAIN Section Contribution Rates 2019/2020 |                     |              |
|---|---------------------|--------------|
|   | Pay Bands           | MAIN Section |
| 1   | £0 - £14,400        | 5.5%         |
| 2   | £14,401 - £22,500   | 5.8%         |
| 3   | £22,501 - £36,500   | 6.5%         |
| 4   | £36,501 - £46,200   | 6.8%         |
| 5   | £46,201 - £64,600   | 8.5%         |
| 6   | £64,601 - £91,500   | 9.9%         |
| 7   | £91,501 - £107,700  | 10.5%        |
| 8   | £107,701 - £161,500 | 11.4%        |
| 9   | £161,501 or more    | 12.5%        |

## 50/50 Section

The **50/50** Section means that a member can elect to pay half their normal contribution rate to receive back half of the pension that they would otherwise build up. The **50/50** Section is a separate section of the Scheme and information relating to both sections must be held separately by Scheme employers. The contribution rate bandings for the **50/50** Section 1 April 2019 to 31 March 2020 are as follows:

| 50/50 Section Contribution Rates 2019/2020 |                     |              |
|--|---------------------|--------------|
|  | Pay Bands           | MAIN Section |
| 1  | £0 - £14,400        | 2.75%        |
| 2  | £14,401 - £22,500   | 2.9%         |
| 3  | £22,501 - £36,500   | 3.25%        |
| 4  | £36,501 - £46,200   | 3.4%         |
| 5  | £46,201 - £64,600   | 4.25%        |
| 6  | £64,601 - £91,500   | 4.95%        |
| 7  | £91,501 - £107,700  | 5.25%        |
| 8  | £107,701 - £161,500 | 5.7%         |
| 9  | £161,501 or more    | 6.25%        |

The main purpose of the **50/50** Section is to provide flexibility for members in times of financial hardship and is therefore intended to be a short-term measure for when the member cannot afford to pay into the **MAIN** Section (and avoids the member perhaps opting out of the Scheme altogether).

A member must elect in writing to opt in to the **50/50** Section and can do so as many times as they wish. It is important to note that any member who is contributing to the **50/50** Section must be re-enrolled into the **MAIN** Section from the beginning of the pay period after the member's automatic re-enrolment date (i.e. every three years) or from the beginning of the pay period after the member goes onto no pay as a result of sickness or injury.

Whilst contributing to the **50/50** Section a member and their dependants retain full cover for death in service and ill-health retirement benefits as if the member were contributing to the **MAIN** Section.



**IMPORTANT:** *If a member elects to join the 50/50 Section the Employer continues to pay their full Employer Contribution rate.*

## Assessing the Employee Contribution Rate

The appropriate employee contribution rate is to be determined by the employer estimating the annual equivalent of the actual (NOT FTE) pay to be received in a full Scheme year (1 April to 31 March) rounded down to the nearest whole pound. This can be done in a number of ways:

- **The annual rate of contractual pay;**
- **The annual rate of contractual pay plus an estimation of non-contractual overtime or hours worked in excess of the contractual which might be worked in a full year;**
- **The hourly contractual rate multiplied by an estimate of the number of hours to be worked in a full year;**
- **The weekly contractual rate multiplied by 52.143;**
- **The weekly contractual rate multiplied by 52.143 plus an estimate of other pensionable payments to be made in a full year.**

It is the responsibility of the Scheme employer to apply the appropriate rate for each of their members and for each post that their employees may hold in a reasonable and consistent manner.

# Assessing the Contribution Rate for Variable time employees

Where an employee with part time contractual hours is likely to undertake a number of additional hours in excess of their contractual hours, the Scheme employer could:

- a) use one of the methods in the first or fourth bullet point on page 3 i.e. place the employee in a band applicable to their contractual hours only and subsequently review the band allocation at an appropriate time; or**
- b) use one of the methods set out in the second, third or fifth bullet points on page 3, perhaps taking account of the hours worked by the previous holder (if any) of the post and subsequently review the band allocation at an appropriate time.**

The advantage of option (a) is that it is less likely to lead to an appeal by the employee against the band to which they have been allocated and the employer can, in any case, review the band allocation at a later date and reallocate to a new band as appropriate. The disadvantage of option (a) is that it can initially result in a lesser contribution being collected from the employee's pay for a period of time than is rightly due. However, the size of this 'loss' to the Pension Fund (which in turn would become a cost to the employer) can be controlled by the employer undertaking a periodic review of the contribution banding. Indeed, strictly speaking, there is nothing in the Regulations governing the LGPS 2014 that would prevent the employer retrospectively changing the contribution banding and recovering the underpaid contributions from the employee's pay (although this might, itself, lead to complaints and / or appeals from employees).

The advantage of option (b) is that it results in a contribution rate that the employer deems reasonable based on the employer's expectation of the number of hours to be worked by the employee. It could result in a higher or lower contribution rate than is correctly due (depending on how many hours the employee actually works) and this could, respectively, result in an appeal by the employee against the band to which they have been allocated or result in a 'loss' to the Pension Fund (which in turn would become a cost to the employer). The employer could reallocate to the correct band following a successful appeal. Equally, the employer could undertake a review of the contribution banding from time to time regardless of whether or not there has been an appeal.

## Notifying your employees

Each year it is the responsibility of the employer to apply the appropriate contribution rate for each of their employees based on the contribution table.

The employer must then notify their employees of any revision in their contribution rate for the year ahead. To assist employers with this task we have provided a template letter which can be used for this purpose and is attached via the link below:

[http://www.berkshirerpensions.org.uk/downloads/download/54/template\\_letter\\_for\\_revision\\_of\\_employee\\_contribution\\_rate](http://www.berkshirerpensions.org.uk/downloads/download/54/template_letter_for_revision_of_employee_contribution_rate)

# Assessing your workforce in line with your Policy Statement

Paragraph 3 of Regulation 9 of the LGPS Regulations 2013 (as amended), provides a Scheme employer with the opportunity to apply a different contribution rate from a different pay band at any time during the Scheme year where either the employee has a change in employment or has a material change which affects their pensionable pay during the financial year. This could be as a result of either an increase or a decrease to the employee's rate of pay and so a Scheme employer needs to consider carefully under what circumstances, if any, they may wish to apply a change to an employee's contribution rate from any date other than 1 April each year.

## Some examples of policy statements might be:

- To set employee contribution rates at 1 April each year and make no changes throughout the year.
- To make changes to employee contribution rates throughout the year from the effective date of any change in employment or material change to the rate of pensionable pay received
- To consider a change to an employee's rate of pay where the employee requests a review as a result of a change in employment or material change in pensionable pay.

### Regulation 9(1) & (3) – Contributions (see guidance note 6 in employer's guide)

*Where an active member changes employment or there is a material change which affects the member's pensionable pay during the course of a financial year, the Scheme employer may determine that a contribution rate from a different band (as set out in Regulation 9(2)) should be applied.*

*Where the Scheme employer makes such a determination it shall inform the member of the revised contribution rate and the date from which it is to be applied.*

### Scheme employer's policy concerning the re-determination of members' contribution bandings at any date other than 1 April

**A determination within your Employer Policy Statement stating when and in what circumstances you will assess your workforce, is entered here**

## Employers Guide to Completing a Statement of Policy

[http://www.berkshirerpensions.org.uk/bpf/downloads/file/110/employers\\_guide\\_to\\_completing\\_a\\_statement\\_of\\_policy](http://www.berkshirerpensions.org.uk/bpf/downloads/file/110/employers_guide_to_completing_a_statement_of_policy)

## LGPS Regulations 2013 Employer Policy Statement (Template)

[http://www.berkshirerpensions.org.uk/bpf/downloads/file/111/lgps\\_regulations\\_2013\\_employer\\_policy\\_statement\\_template](http://www.berkshirerpensions.org.uk/bpf/downloads/file/111/lgps_regulations_2013_employer_policy_statement_template)

# Additional Contributions - LGPS

Members under the LGPS can elect to pay additional contributions to increase their pension benefits. They can currently do this through payment of APCs and AVCs. However there are a number of members that still pay additional contributions under older regulations which are still honoured. A summary of the different payment facilities are detailed below:

## Added Years - available up to 31 March 2008

Before a change in Scheme regulations on 1 April 2008 it was possible for members to buy additional membership of the LGPS commonly known as 'added years'. Since that date, however, it has not been possible for members to elect to purchase added years. If a member joined the LGPS before 1 April 2008 and elected to buy added years they may still be paying these additional contributions as all contracts entered into before 1 April 2008 are honoured. Added years are calculated in accordance with pension scheme regulations in force prior to 1 April 2008.

## Additional Regular Contributions (ARCs) - available from 1 April 2008 to 31 March 2014

ARCs were introduced to the LGPS on 1 April 2008 and have been replaced from 1 April 2014 with Additional Pension Contributions (APCs). However if a member has an existing ARC contract in force prior to 1 April 2014, this will continue from 1 April 2014 on the terms of the original contract.

## Additional Pension Contributions (APCs) - available from 1 April 2014

APCs were introduced to the LGPS on 1 April 2014 and replaced the previous option to pay ARCs. Members can pay APCs in order to purchase additional annual pension payable on top of their normal LGPS benefits. Members can elect to purchase additional annual pension up to a maximum of £7,026 (this amount may increase each year in line with inflation).

Members can elect to have APCs deducted from their monthly salary over a period of time, or by paying a one-off lump sum. The cost (a cash amount NOT a percentage of pay) is determined by the member's age, term of payment and the amount they wish to purchase.

If a member elects to proceed with the purchase of APCs a confirmation letter is forwarded to the payroll department detailing the start and end date of the APC contract, and the amount to be deducted from the member's gross monthly salary.

### APC Quotation:

Members can use an online calculator (linked below) to find out the cost of purchasing additional annual pension through APCs.

<https://www.lgpsmember.org/more/apc/extra.php>



# Additional Contributions - AVCs

Members of the LGPS can pay additional pension contributions to the in-house AVC scheme run by **The Prudential**.

## Additional Voluntary Contributions (AVCs)

Members can pay a monthly contribution and choose how they would like their contributions to be invested. AVCs are invested separately from the main LGPS Fund and a number of investment opportunities are available. AVCs are deducted from the member's gross monthly salary through payroll.

At retirement a member can use their AVC to:

- Purchase an annuity pension
- Withdraw their AVC fund as a tax-free lump sum (providing the amount is within 25% of the capital value of their pension pot)
- Buy additional annual pension within the LGPS

If a member wishes to start AVC contributions they contact the Prudential in the first instance on **0800 4346629**. A formal notification is issued to the Berkshire Pension Fund confirming the start date of the AVC and the amount to be deducted. This then forwarded directly to the member's payroll department to action.

### AVC contact information:

Members must contact the Prudential directly if they wish to start, change or stop AVC contributions.

They can contact Prudential directly on **0800 4346629** or visit:

<https://www.pru.co.uk/rz/localgov/>



# Employer Contributions

Employers pay the balance of the cost of providing pension benefits payable on retirement from the LGPS. Every three years an independent review, known as a **Valuation**, is undertaken to calculate how much employers should contribute to the Scheme. The amount that you have to contribute is outlined in a **Rates & Adjustment Certificate** that forms part of the formal valuation of the Pension Fund. The date of the last valuation was **31 March 2016** with employer contribution rates being set for the period **1 April 2017 to 31 March 2020**.

The latest Rates and Adjustment Certificate can be found on the Employer Contributions page of our website below:

[https://www3.rbwm.gov.uk/bpf/info/2/employers/36/contributions\\_-\\_employers](https://www3.rbwm.gov.uk/bpf/info/2/employers/36/contributions_-_employers)

## Payment of Contributions to the Fund

Once the appropriate employee and employer pension contributions have been deducted from the member's monthly pay they must be paid over to the Royal County of Berkshire Pension Fund.

To do this a contribution return is submitted to the Berkshire Pension Fund. A guide to the completion of this form is attached below along with a link to the contribution return template.

### Employers Guide to Completion of Contribution Returns

[https://www3.rbwm.gov.uk/bpf/downloads/file/346/employer\\_contribution\\_return\\_guidance\\_20192020](https://www3.rbwm.gov.uk/bpf/downloads/file/346/employer_contribution_return_guidance_20192020)

### Contribution Form (spreadsheet)

[https://www3.rbwm.gov.uk/bpf/downloads/file/345/employer\\_contribution\\_return\\_spreadsheet\\_20192020](https://www3.rbwm.gov.uk/bpf/downloads/file/345/employer_contribution_return_spreadsheet_20192020)

Once you have completed your contribution return you should submit the whole workbook (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 2019**" and please don't forget to attach the workbook.

If you have any queries relating to the completion of the contribution return please contact **Renee North, Admin Support Officer** on **01628 796705** or e-mail **renee.passman@rbwm.gov.uk**

# Opting Out

Any employee who is eligible for membership of the LGPS has the right to opt in or out of the Scheme as many times as they see fit. Whilst not administratively welcomed, Scheme regulations do permit this to happen.

It is important to note that an employee CANNOT and MUST NOT opt out of the Scheme before being admitted to it. If a Scheme employer receives an opt out form from one of its employees which is dated earlier than the employee's commencement date in the respective employment a further opt out form must be obtained by the employee for completion again.

The opt out form MUST be obtained from the Berkshire Pension Fund ONLY. An opt out form has been produced by the Pension Fund and is available for download from the Pension Fund website [www.berkshirepensions.org.uk](http://www.berkshirepensions.org.uk) The form includes many health warnings to which the employee has to agree before completing the opt out form. Once completed the form MUST be returned by the employee to their Payroll Department.

# Vesting Period

The vesting period is the period of time that a member has to have in the Scheme in order to be entitled to a retirement benefit. Under current LGPS regulations the vesting period is 2 years.

It is important to note that a Scheme employer is responsible for refunding employee contributions through their payroll systems where a Scheme member **opts out within the first 3 months** from the date of joining the Scheme.

|  |  |
|--|--|
| Members opting out within 3 months of joining the LGPS               | Refund must be processed through Payroll   |
| Members leaving their employment within 3 months of joining the LGPS | Form 'LGS15C Withdrawal from the Scheme' must be completed and forwarded to the Pension Team to process refund |
| Members leaving their employment within 2 years of joining the LGPS  | Form 'LGS15C Withdrawal from the Scheme' must be completed and forwarded to the Pension Team to process refund |

## Opting out within 3 months

Where an employee **OPTS OUT** the Scheme within the first 3 months of having been admitted to the Scheme, regulations dictate that the employee is deemed to have never been a member of the Scheme. **The contributions deducted from the employee MUST be refunded through payroll in all circumstances where this situation arises (regardless of whether or not the 3-month period traverses two financial years).** Where an employee **LEAVES** (i.e. does not opt out) an employment within 3 months of being admitted to the Scheme, the refund MUST be paid by the pension team and the Scheme employer will need to supply leaving details to the pension team.

The pension team does have the facility to hold details of opted out members on the pension system as status 'o' (zero) members. Employers must complete form 'LGS15D Opt out Notification' and attach a copy of the opt out form before forwarding to the Pension Team.

**Please note that employer contributions are non-refundable**

# Glossary of pension terms

|                        |  |
|------------------------|--|
| <b>50/50 Section</b>   | Section of the LGPS under which members pay half their normal pension contribution rate and build up a 98 <sup>th</sup> of their pensionable pay each Scheme year. |
| <b>APCs</b>            | Additional Regular Contributions   |
| <b>ARCs</b>            | <i>Additional Regular Contributions</i>  |
| <b>AVCs</b>            | Additional Voluntary Contributions   |
| <b>CARE</b>            | Career Average Revalued Earnings Scheme  |
| <b>LGPS</b>            | Local Government Pension Scheme  |
| <b>LGS15C</b>          | Leaver notification sent to the pensions team  |
| <b>LGS15D</b>          | Opt-out notification form  |
| <b>MAIN Section</b>    | Section of the LGPS under which members pay their normal pension contribution rate and build up a 49 <sup>th</sup> of their pensionable pay each Scheme year.      |
| <b>Pensionable Pay</b> | Elements of pay from which pension contributions are deducted  |



# Contact Information

If you have any queries regarding pension contributions please contact us on **01628 796 668**. Alternatively you can e-mail [info@berkshirerpensions.org.uk](mailto:info@berkshirerpensions.org.uk)

## Where can I find out more?

### Berkshire Pension Fund Website:

[www.berkshirerpensions.org.uk](http://www.berkshirerpensions.org.uk)

### LGPS Regulations Berkshire Pension Fund Website:

[www.lgpsregs.org](http://www.lgpsregs.org)

### LGPS Payroll Guide to the 2014 Scheme:

<http://www.lgpslibrary.org/assets/gas/ew/Pv3.9c.pdf>

### LGPS HR Guide:

<http://www.lgpslibrary.org/assets/gas/ew/HRv3.11c.pdf>

### National LGPS Member Website:

<https://www.lgpsmember.org>

