

LONDON BOROUGH OF SOUTHWARK PENSION FUND















Employer responsibilities →

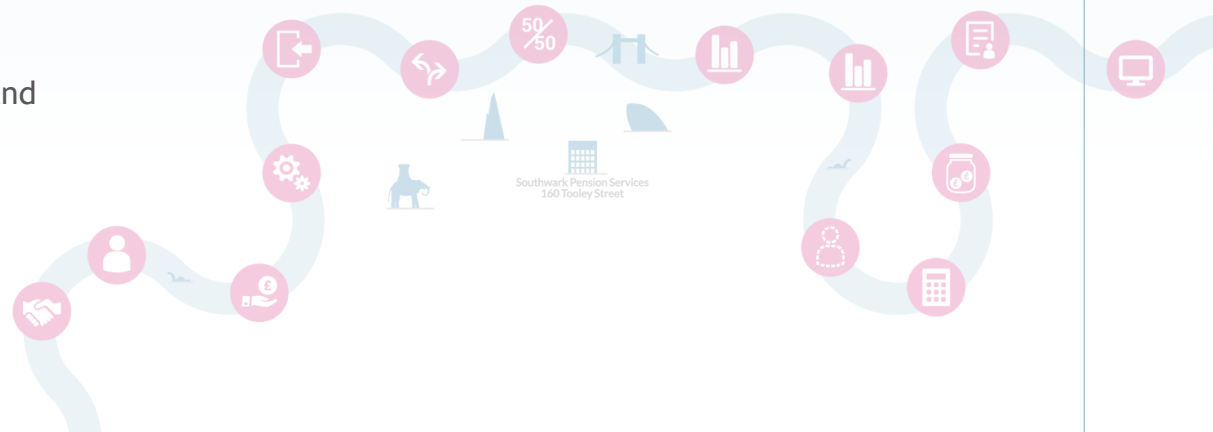
Covering contractual, Automatic Enrolment, main scheme and 50/50 contributions, when to use and how to calculate Assumed Pensionable Pay and essential data requirements.





We will cover:

-  What employers can offer LGPS membership and what employees should be contractually enrolled
-  Who should be Automatically Enrolled?
-  What is the earnings threshold for Automatic Enrolment?
-  Assessing your staff at a glance
-  Providing information and opting into the scheme or re-joining
-  The LGPS is one scheme with two membership options
-  Employee contribution rates of main scheme and 50/50 section 2022/2023
-  How contribution rates are set
-  Employer contribution rate
-  When to use Assumed Pensionable Pay (APP)
-  How to calculate Assumed Pensionable Pay (APP) due to sickness, injury or relevant child related leave or Reserve Forces leave
-  What happens if an employee takes industrial action and paying over the pension contributions
-  Essential data requirements
-  Useful links





What employers can offer LGPS membership?
Technically there are a range of ‘scheme employers’:

- 1** Schedule 2 Part 1 bodies must offer the scheme membership to its employees:
 - E.g. County Councils, District Councils, London Boroughs, FRAs, P&CC or Academy Schools.

- 2** Schedule 2 Part 2 bodies can choose to offer the scheme through a designation
 - E.g. precepting authorities - Parish Councils, Town Councils or entities ‘connected’ with a Part 1 body;
 - Admission bodies; and
 - Deemed employers.

What employees should be contractually enrolled?

Eligible employees, enrolled contractually, to be eligible the employee must meet the following criteria:

1. Has three-month or more contract;
2. Is aged under 75; and
3. Isn't eligible for another public service pension scheme.

Note that Automatic Enrolment is different to the above.



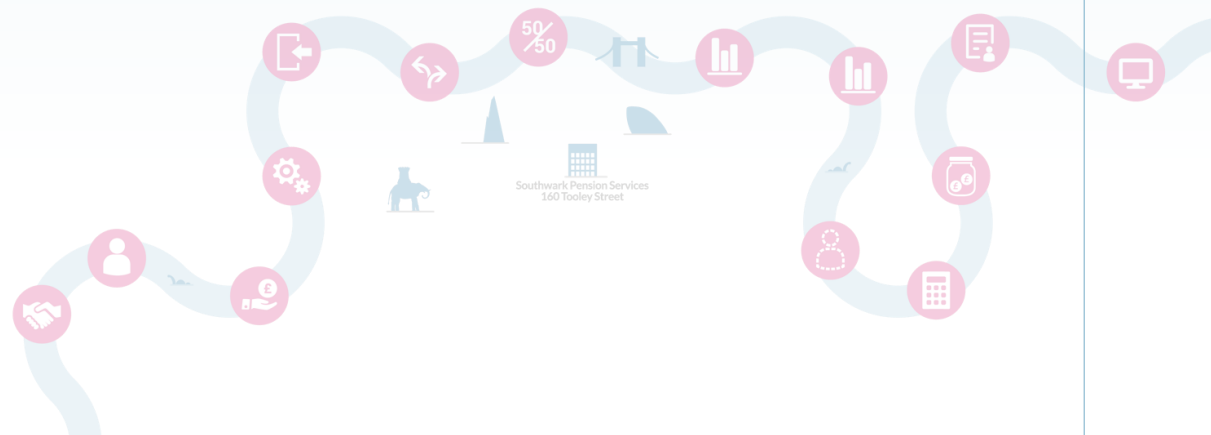
WHO SHOULD AUTOMATICALLY BE ENROLLED?

- Eligible jobholders will be automatically enrolled into the LGPS if they're not already active members of a workplace pension scheme that meets a set of minimum standards.
 - The employer must make pension contributions to the pension scheme and the eligible worker eligible to join the LGPS also have to contribute.
 - Workers who don't want to join the scheme may opt-out for a three year period. However, employers are required to continue automatically enrolling eligible workers who've opted out, every three years.
- Eligible jobholders are workers who:
 - Are aged between 22 and State Pension Age;
 - Earn over the earnings threshold, and
 - Work, or ordinarily work in the UK and have a contract of employment (i.e. so is a worker and not a self-employed contractor), or who have a contract to provide work and/or services personally (so can't sub-contract to a third party).



WHAT IS THE EARNINGS THRESHOLD FOR AUTOMATIC ENROLMENT?

- The earnings threshold is currently set at £10,000 per year, but employees will be assessed for eligibility at each pay period.
- The earnings threshold will be pro-rated meaning the actual earnings threshold amount will differ if they're paid monthly, four-weekly, fortnightly or weekly. As they're assessed for eligibility at each pay period, they may find that they're automatically enrolled if their earnings increase, if only for a short period.
- For example, if employees are paid monthly, they'll be deemed to meet the earnings threshold if their monthly earnings reach at least £833. If they're paid weekly, they'll be deemed to meet the earnings threshold if their weekly earnings reach at least £192.





ASSESSING YOUR STAFF AT A GLANCE

	Age 16 – 21	Age 22 – SPA*	*SPA - 74
Less than £833 per month (Less than £192 per week)	Non-Eligible (Type 2 Employee)	Non-Eligible (Type 2 Employee)	Non-Eligible (Type 2 Employee)
More than £833 per month (More than £192 per week)	Non-Eligible (Type 2 Employee)	Eligible (Type 1 Employee)	Non-Eligible (Type 2 Employee)
Type 1 Employees - must be put into the pension scheme. Both employer and employee contributions must be deducted from the employees' pay.			
Type 2 Employees - you don't need to put them in the pension scheme. However these employees may elect to opt-in.			
* SPA – if you're unsure what this is for any given employee, check on the SPA calculator at www.gov.uk/state-pension-age			



Providing information

- The Administering Authority must provide basic LGPS information within two months.
- On Automatic Enrolment, that time limit is reduced to one month from the date you, the employer, tell the Administering Authority of the new member of the scheme.
- On Automatic Enrolment, the employee job holder information should be provided to the Administering Authority (Southwark Council Pension Services) within six weeks of enrolment into the LGPS. See the essential data requirement slide for further information.
- Each newly enrolled member of the scheme should complete a Starter form and a Death Grant - Expression of Wish form.

Opting into the scheme or re-joining



- Anyone not in the scheme, but eligible to be, can apply to join by writing to their scheme employer and in doing so they'll join the 'main section' from the first day of the next pay period.
- Opted-out members can be automatically re-enrolled into the scheme (though check TPR guidance if a transitional delay was applied).



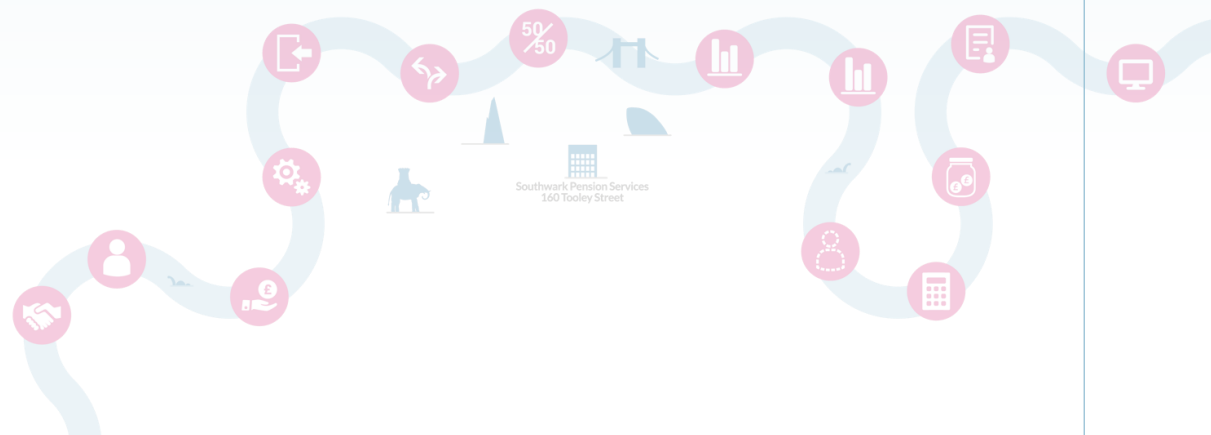
THE LGPS IS ONE SCHEME WITH TWO MEMBERSHIP OPTIONS

- There's the **main scheme** with 1/49th accrual rate or the **50/50 section** is a low cost alternative option which means employees basically pay half the contribution rate of the main scheme to receive half the benefits (with the exception of death benefits, dependant's benefits and death in service benefits).
- Members must elect to switch to the 50/50 section by completing the 50/50 election form.
- Employee contributions are reduced to half from the 1st of next pay period.
- The accrual rate is halved from the date the 50/50 membership started.
- The Pensionable Pay still needs to be recorded in 50/50 section.
- It's the employer's responsibility to give the member information on the effect on their benefits.
- If a member was paying whole cost APCs, this would have to cease as it's not available in the 50/50 section.
- All other additional contributions remain payable in full.



NOTE THAT...

- The 50/50 section was never designed to be a permanent replacement of the main scheme.
- Therefore after three years, the employee should be reinstated back into the main scheme and employer and employee contributions should be taken based on the main scheme full contribution rate.
- However, the member may elect to return back to the 50/50 section by completing another 50/50 election form.





EMPLOYEE CONTRIBUTION RATES OF MAIN SCHEME AND 50/50 SECTION FOR ENGLAND AND WALES 2022/2023

Band	Actual Pensionable Pay	Main scheme	50/50 section
1	Up to £15,000	5.5%	2.75%
2	£15,001 to £23,600	5.8%	2.90%
3	£23,601 to £38,300	6.5%	3.25%
4	£38,301 to £48,500	6.8%	3.40%
5	£48,501 to £67,900	8.5%	4.25%
6	£67,901 to £96,200	9.9%	4.95%
7	£96,201 to £113,400	10.5%	5.25%
8	£113,401 to £170,100	11.4%	5.70%
9	£170,101 or more	12.5%	6.25%

Note that these contribution pay bandings and rates are reviewed annually. Always check on www.lgpsmember.org/index.php for updates.

Actual pay, rather than full-time equivalent is used in the assessment.
Note that reductions in pay due to sickness, child related leave etc. are ignored.



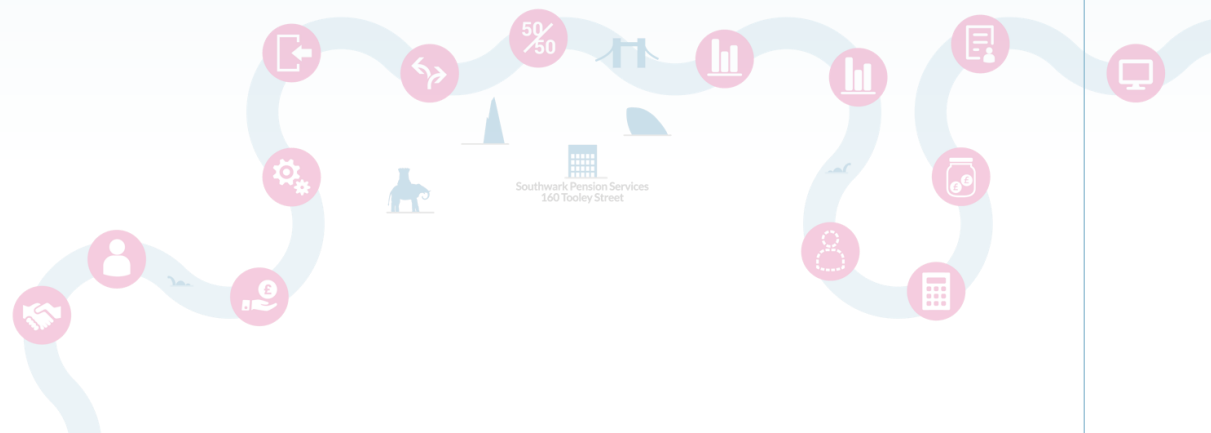
Contribution rates

- These are set based on all Pensionable Pay components.
- If an employee has more than one position, the rate is set in accordance to the actual pay bandings per position so it's possible to pay contributions at different rates. *Make sure your payroll system deducts these at the correct rates.*
- Any underpayments of contributions due must be repaid.

Employer contribution rates



- These rates set by the Administering Authority every three years using the results of the triennial valuation.
- Inaccurate data can result in higher rates payable.



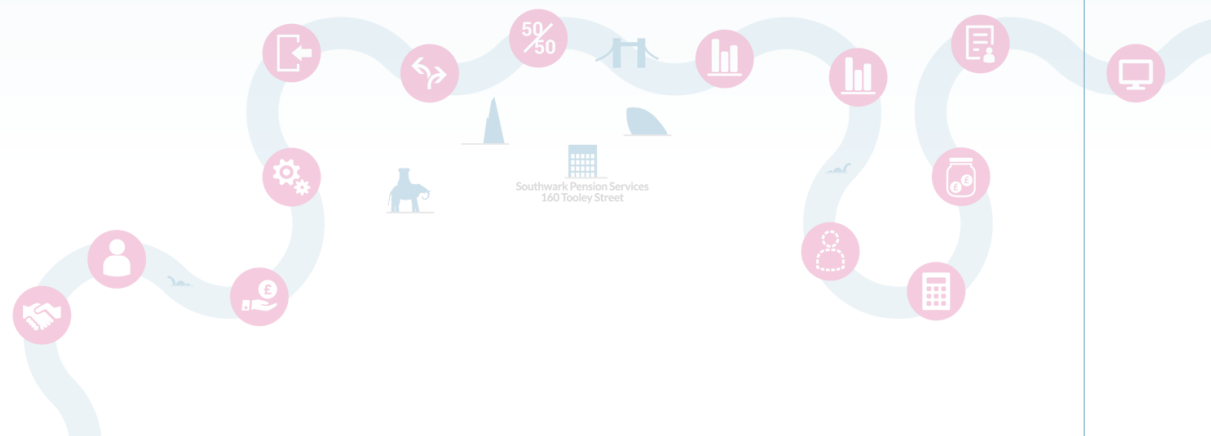


WHEN TO USE ASSUMED PENSIONABLE PAY (APP)

- When a pension scheme members' pay is reduced due to either:
 - Reduced contractual pay or no pay due to sickness or is on relevant child-related leave;
 - Ordinary adoption/maternity;
 - Additional adoption/maternity or shared parental leave, receiving some pay;
 - Paternity; or
 - Reserve Forces leave;

The APP drops into the cumulative rather than the Actual Pensionable Pay (if any) BUT on a KIT day if the Actual is higher, the Actual drops into the cumulative.

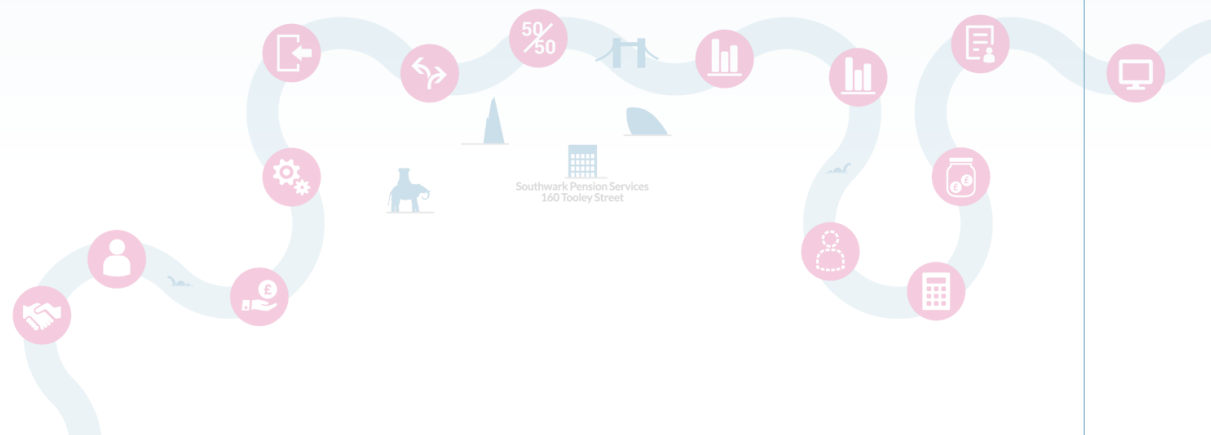
- The employer pays contributions on the APP.





HOW TO CALCULATE ASSUMED PENSIONABLE PAY (APP) DUE TO SICKNESS, INJURY OR RELEVANT CHILD-RELATED LEAVE OR RESERVE FORCES LEAVE




- APP is a notional Pensionable Pay figure that is used to ensure that the pension benefits aren't affected by any reduction of pay due to a period of sickness, injury, or any reduction due to relevant child-related leave or Reserve Forces leave.
- The employer is required to calculate the assumed pay for the period of absence as detailed on the next slide. To do this, the employer would normally calculate the average of the Pensionable Pay received for the three months (or 12 weeks if the member is paid weekly) before the pay period in which the pay is reduced.





For example:

- A member's Pensionable Pay is reduced to half pay for the period 1 July to 31 December due to sickness absence. Their employer calculates the APP by calculating the average of the three complete months' Pensionable Pay received before the pay period in which the pay is reduced.

April	+	May	+	June	=	£3,700	÷ 3	£1,233.33
								per month
£1,200		£1,200		£1,300				

- In this case the member's pay increased from 1 June to £1,300 per month (£15,600 per year) due to an annual pay award.

The employer would inform the member's pension fund that the APP for the period 1 July to 31 December is:

$$£1,233.33 \times \text{Calendar icon} = £7,399.98$$

6 (months)

- Please note that member pays their basic pension contributions on the reduced pay they actually receive and not based on the APP.
- When calculating the average Pensionable Pay received for the three-month period (or 12 weeks if they're paid weekly) before the pay reduced, any reduction in pay due to an authorised absence or a trade dispute is ignored.



What happens if an employee takes industrial action?



- Once the pension scheme members return to work, they can pay an APC if they wish to replace the lost pension.
- The employer would need to calculate the lost Pensionable Pay whilst on strike.
- The employer doesn't pay pension contributions during strike action taken.
- No employer contributions are due if the member 'buys back' the lost pension via an APC as the employee pays the full cost!

Paying over the pension contributions

- Employers must pay across both the employer (ER) and employee contributions based on the Administering Authority's set timescale.
- Every pay-over should be checked thoroughly to ensure that it's paid correctly and be accompanied by a statement!
- From April 2015 late pay-over of employee contributions are reportable to The Pension Regulator (if material).
 - Including, where relevant, contributions towards administration costs in consequence of poor performance in the Administering Authority's opinion.

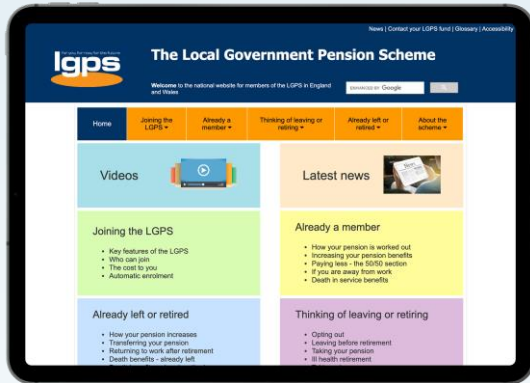


Accurate timely information is required on:

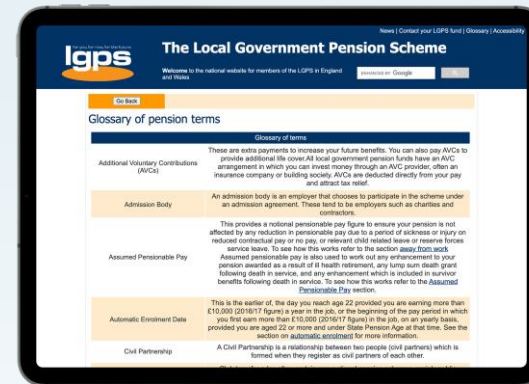
- The employee's name and gender;
- The employee's date of birth and National Insurance number;
- A unique reference number relating to each employment in which the employee has been an active member;
- The dates of active membership and section at year end;
- The Pensionable Pay in the main scheme;
- The Pensionable Pay in the 50/50 section;
- The employee contributions paid while in the main scheme;
- The employee contributions paid while in the 50/50 section;
- The employer contributions paid on the employee's Pensionable Pay;
- The employee additional pension contributions (APCs);
- If applicable, the employer APCs;
- The employee in-house additional voluntary contributions (AVCs);
- If applicable, employer in-house AVCs; and
- Details of any service breaks.



USEFUL LINKS



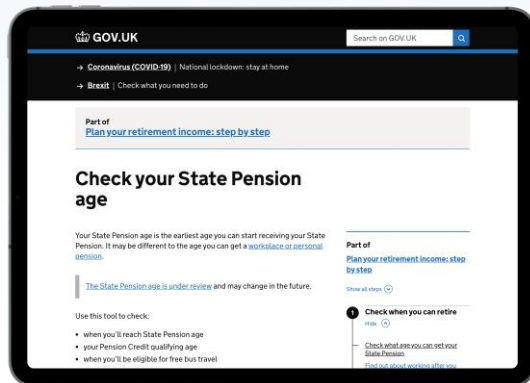
www.lgpsmember.org/index.php



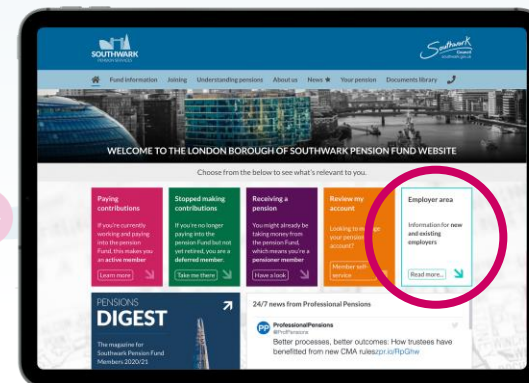
www.lgpsmember.org/glossary.php



www.thepensionsregulator.gov.uk



www.gov.uk/state-pension-age



www.southwarkpensions.co.uk
(Click on the Employer area box)



THANKS FOR WATCHING



For a helping hand, please contact us via:



@ lbspensions@southwark.gov.uk

📞 0207 525 4924



Don't forget to visit your new website at:
www.southwarkpensions.co.uk



For the national Local Government Pension Scheme website, it's:
www.lgpsmember.org

