

Local Government Pension Scheme

Thinking of becoming an Academy? Pension issues to consider

The LGPS

The Local Government Pension Scheme (LGPS) is a nationwide pension scheme for non-teaching employees.

Administration of the pension scheme is split between 89 Funds across England and Wales and Devon Pension Services administers the LGPS for all relevant employers throughout Devon.

Devon Pension Services (DPS) administers the Devon Pension Fund and has in excess of 100 participating employers and looks after 84,000+ members.

In 2010 the LGPS regulations were amended to allow non-teaching employees of Academies to be member's of the Pension Scheme.

NB: Teaching Staff are covered by the Teachers Pension Scheme which is administered by Capita.

Being an Employer in the LGPS

What it means to be an employer participating in the LGPS:

Your responsibilities as an employer

- Auto enrolling new staff into the LGPS where their contract is for more than 3 months
- Decide what percentage of pay the employee must pay into the LGPS and make the necessary deductions from their salary. Employer and employee pension contributions must be paid over to the Pension Fund by the 7th day of the following pay period.
- You must keep DPS informed of any relevant changes to their employees:
 - Change of name
 - Change of hours
 - Notification of unpaid leave or maternity leave
 - Notification of any strike breaks
- You must inform DPS when a pensionable employee leaves or opts out of the LGPS. Information needed will be date of leaving, reason for leaving, pensionable remuneration use to calculate benefits etc.

- Providing DPS with an annual return at the end of each financial year which gives details of employee contributions paid and pensionable pay.
- The employer must provide their employees with information as follows:
 - Send statutory notice to new members or to members with change in relevant circumstances
 - Issue members with Expression of Wish forms (Death Grant) and co-habiting partners nomination form where applicable
 - Distribute Annual Benefit Statements issued by DPS
 - Inform member's of Newsletter
 - Inform member's of any relevant LGPS information
- There is an Internal Dispute Resolution Procedure (IDRP) in two stages which deals with complaints from LGPS members. If the complaint is in respect of an employer decision then the employer must deal with Stage 1 of the IDRP and they must have appointed an officer to deal with such cases.

III – Health Retirements

- You must appoint an Independent Occupational Health medical practitioner which has to be approved by the fund. Please contact DPS for the list of approved doctors.
- Retirement on ill-health grounds can be at any age.
- Employer must obtain a certificate from their approved Independent Occupational Health medical practitioner.
- There are 3 ill-health tiers according to the member's medical condition. The first 2 tiers provide for additional membership being awarded to the member.
- If member was awarded Tier three ill-health retirement then employer must review the case after 18 months on pension.
- The cost of ill-health retirement benefits is met by the employer's contributions rate.

Employer Discretions

All employers must have a policy on their LGPS discretions, some of which are:

- Early payment of benefits at request of a member who is under age 60
- Flexible retirement
- Waiving of actuarial reduction
- Shared cost AVC
- Increasing membership up to an extra 10 years service (Augmented Service)
- Award of additional pension up to £5.000 per annum (ARC)

Employer Contributions

What will an employer participating in the LGPS be expected to contribute:

- Our fund actuary will decide on the employer's pension contribution rate. Currently there is discussion going on as to what method of the calculation will be used as all actuaries appear to have different methodology.
- Our fund actuary will do their calculations using the Academies pensionable member's details and is likely to be the same as the LEA rate.
- Employer contribution rates are reviewed every 3 years when the whole pension fund is valued. The next valuation is due in March 2013.

Strain Costs

When an employer agrees to a member receiving early payment of their benefits, they are required to pay a 'Strain Cost' to the pension fund, this can occur in the following circumstances:

- If an employee is made redundant or leaves on efficiency grounds and is age 55 or over, the LGPS regulations provide the member with immediate payment of their benefits and a 'Strain Cost' will be payable.
- If an employee is retired from age 55 on flexible retirement grounds or employer consent ground.
- If the employer chooses to waive a member's actuarial reduction and the member has left on flexible or employer consent grounds.

A 'Strain Cost' is calculated by DPS and the cost to the employer depends on the member's sex, age and service. The 'Strain Cost' can be paid as one lump sum immediately or over 3 years where interest is added. If paid over 3 years, the first payment is due in the April after the member has left.

Additional service or additional pension award

- If an employer's discretions allow, they can award a member with additional service (Augmented service) and/or additional pension per annum (ARC).
- The cost of either of these awards must be paid for to the pension fund immediately.
- WATCH – if either of these awards are given when the member is about to retire early on one of the grounds mentioned above, the additional benefit will increase the 'Strain Cost'.

Additional employer costs

- Each year you will require FRS17 figures for your accounts and the actuary will charge you to provide this service. You can choose any actuary to do the work.
- If there is any other information you might need that only the actuary can supply then you will be charge for the work done.
- When you need to use the services of your Independent Medical practitioner then you will be charged by them.
- Any payments due from an employer which is paid over a month late will incur interest.

Pension Fund deficit

When a new Academy is set up our actuary will calculate the employer's pension contribution rate together with the value of the deficit in the part of the fund which relates to the Academy. It is important to note that the deficit is retained with the Academy and is reflected in the employer's pension contribution rate.

NB: Please note the amount of deficit quoted in a FRS17 valuation has been higher recently than the 3 yearly valuations, as the methodology for the calculation is done on a different basis though it could go the over way down to what current bond returns are.

Moving to Academy status

What do you need to do with regard to your LGPS membership, if you decide to become an Academy?

- Advise DPS as soon as possible that you are thinking of becoming an Academy, don't leave getting in touch with DPS until the last minute as the required processes can take a while to sort out.
- There is no formal application for a school to become an eligible employer in the LGPS, it will automatically occur once you become an Academy.
- Assure those LGPS member's already in the pension scheme that their membership will continue in the same way with the new Academy employer.
- It is suggested that you write to those eligible employees not in the LGPS informing them that they can join at any time.
- The Academy must formulate and publish their discretions in the LGPS.
- Inform DPS if you require an FRS17 valuation from the actuary giving the position at the date of transfer. Information about the member's of the LGPS will be required.
- Inform DPS of who the Academy will be employing to provide payroll services. Please note that DPS can only deal direct with the Academy and not the payroll provider. However, there has been some automated processed set up with Devon CC payroll if they are the Academies payroll provider.
- Inform DPS of the date of transfer to Academy status
- Inform DPS of the name of the new Academy
- Provide DPS with a list of the non teaching staff in the LGPS.

What will Devon Pension Services do?

- DPS will submit the require data to our actuary for them to determine the employers contributions rate and FRS17 position is required
- DPS will add the Academy as a new employer on our pensions administration system (AXIS)
- DPS will meet with representatives from the Academy/payroll provider if required
- Ask the Academy to complete a form requesting their contact details.
- DPS holds regular annual employer meetings to provide updates to any changes in the LGPS
- In between the annual meeting, DPS will send regular emails to employers providing information for them and their employees.
- DPS has a dedicated Employer Liaison Officer who is always available to give guidance where necessary.

Contact details

There is a lot of information on our website for members of the LGPS and also there is an area specifically for our employers with a full procedures manual and required forms.

Website address: www.devon.gov.uk/pensions

Email address: pensions@devon.gov.uk

Charlotte Thompson (Devon Pension Services Manager) Tel. No: 01392 688210
Viv Ray (Deputy Pensions Manager) Tel. No: 01392 688211
Shirley Cuthbert (Employer Liaison Officer) Tel. No: 01392 688218

Full contact telephone numbers can be found on our website