

Welcome to the third edition of 'Scheme Employer' our newsletter specifically aimed at the 400+ Local Government Pension Scheme employers who participate in the Essex Pension Fund. Much has happened since the last edition of this newsletter culminating in the arrival of the new look LGPS on 1 April 2008.

## The New Look LGPS 2008 has arrived — Latest News —

The new look LGPS is now with us but the journey is not yet complete and it has certainly not been a smooth ride.

Amendment regulations were eventually laid before Parliament on 16 April 2008 and, rather oddly, did not come into force until 7 May 2008.

Although the amendment regulations did correct many of the errors, they still need a number of amendments to make them workable and Terry Edwards at the Local Government Employers (LGE) has sent comprehensive details of the necessary amendments to Communities and Local Government (CLG).

### Ill-health

We are still waiting for CLG to produce the promised final guidance on the new 3 tier ill-health arrangements, although the draft guidance has recently been issued which can be viewed on CLG's website at; [www.xoq83.dial.pipex.com/whatsnewversion2.htm](http://www.xoq83.dial.pipex.com/whatsnewversion2.htm)

With regards certification of the ill-health, it has come to light that where you are making a decision on an ill-health retirement before 1 October 2008 (even if the date of leaving is after 30 September 2008) then you should ask your independent medical adviser for 2 certificates, i.e. both the new ill-health certificate **and** the old ill-health certificate. This is because interim protections may apply if you are making the decision before 1 October 2008 and for those protections to apply the member also has to satisfy the criteria of the 1997 regulations. See LGE Circular no.212 for further details ([www.lge.gov.uk/pensions](http://www.lge.gov.uk/pensions) - *technical advice*)

### Contribution Bands

You should have received a letter from Pensions



Services asking you to return a form confirming that you have implemented the new banded contribution rates for your staff.

It is important to return the form to us so that we can then try to assist any employers who may still be having problems with the implementation of the new banded rates.

If you still have LGPS members paying either 6.0% or 5.0% contributions please read the section on Banded Employee Contributions overleaf and contact us immediately for assistance if you do not understand what you need to do.

### Employer Guide

Our new employer guide is now ready and we will be sending a copy to all employers shortly.

### Member Guides

New short scheme guides have already been produced and a small supply distributed to all employers. Further supplies can be obtained by contacting our Member Services Team.

New full guides will not be produced until all of the necessary guidance and clarifications have been received from CLG.

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## Banded Employee Contribution Rates

You should now be deducting contributions from your staff using the new banded rates. Where the employee is an *active member* of the LGPS you must initiate appropriate deductions within your payroll system allocating each employee to the appropriate Contribution Band.

Please note that if one of your employees has more than 1 pensionable post then each post should be assessed separately.

If an employee is in a part-time post then you should refer to their whole-time equivalent pay when allocating them to a band.

If an employee is in a whole-time *term-time*\* post then you should use their actual pensionable pay to allocate them to a band.

If an employee is in a part-time *term time*\* employment then you should use the equivalent whole-time term-time pensionable pay to allocate them to a band.

\*CLG have confirmed that this only applies where the post itself is a term time post and not where the employee has chosen, with the employer's agreement, to work a term-time pattern.

Band	Pensionable Pay	Contribution rate
1	£0 - £12,000	5.5%
2	> £12,000 - £14,000	5.8%
3	> £14,000 - £18,000	5.9%
4	> £18,000 - £30,000	6.5%
5	> £30,000 - £40,000	6.8%
6	> £40,000 - £75,000	7.2%
7	More than £75,000	7.5%

Nb. The above bands will increase in line with the retail price index each April.

*Protected Manual Workers* paying the protected 5% rate on 31<sup>st</sup> March 2008 will pay the following transitional rates:-

2008/09	: 5.25%
2009/10	: 5.50%
2010/11	: 6.50% (or the appropriate rate from the above table if this would be lower)
2011/12 onwards	: the appropriate rate from the above table

Where there has been a permanent material change to the terms and conditions of a member's employment which affect his pensionable pay then you may re-determine their contribution band. If you change an employee's contribution rate then you must write to the employee advising them of the change. You must also notify Pensions Services, however this will normally be done as part of your end of year return.

Contributions are payable against Gross Taxable Pay. Net Pay arrangements operate so that the contributions are deducted from the gross pay before tax is levied.



**“The Government is committed to good quality pensions for local government workers without placing an unfair burden on taxpayers.”**

Statement to Parliament by Phil Woolas, Minister for Local Government  
30 March 2006

## STRIKE ACTION

If any of your members take part in strike action then the strike day(s) will not count for pension purposes. The member can, however, elect to pay contributions at 16% of the pay lost in order for the day(s) to count. You should write to affected members informing them of their right to pay contributions and collect the contributions where the member elects to pay. You should also notify Pensions Services of any members who go on strike, confirming whether or not they have paid contributions to count the day(s) for pension purposes. Further information including sample letters and forms can be found in LGE circular 213 at [www.lge.gov.uk/pensions](http://www.lge.gov.uk/pensions) - technical advice.

*Please note that Pensions Services are happy to receive details on a list rather than the LGE specimen letters as long as you quote National Insurance numbers.*

## Eligibility for Admission to the Scheme

### Do you know what type of employer you are?

The LGPS has 3 types of employer for the purposes of admitting employees to the scheme;

**Scheduled 1 (S1) bodies** comprises Local Authorities (including Foundation Schools), Fire Authority, Police Authority, Probation Committee, Further and Higher Education Corporations, Academies, ALMOs, Education Action Forums

**Scheduled 2 (S2) or Designation (formerly Resolution) bodies** comprise Town and Parish Councils and Development Corporations.

**Admission bodies** (i.e. bodies or companies which have entered into an admission agreement with the Essex Pension Fund) - there are two types of admission body (Community and Transferee), however they are both treated the same for employee admission purposes.

**The type of employer determines how new members join the LGPS**

### Automatic Entry from 1 April 2008

#### **S1 bodies**

Employees of S1 bodies who have a contract for 3 months or more and who are under age 75, will be eligible for membership of the LGPS and should be brought into the LGPS automatically.

Eligible new employees with an initial contract of less than 3 months who receive an extension beyond 3 months, should be brought into the Scheme from the date of the extension and be given the option to backdate their entry.

#### **S2 bodies & Admission bodies (Ad)**

Employees of S2 Bodies and Admission Bodies (Ad) who have a contract for 3 months or more and who are under age 75, will be eligible for membership of the LGPS if they are; designated for membership by their employer or permitted access under an admission agreement, respectively.

Eligible new employees with initial contracts of less than 3 months who receive an extension beyond 3 months, should be either brought into the Scheme from the date of the extension (S2) - or given the option to join from the date of their contract extension (Ad). There is no option to backdate entry in either case.

#### **Notes**

- **Employees with contracts of less than 3 months or aged 75 or over, cannot join the Scheme.**
- **Employees with more than one contract have the right to opt out of membership in all or some of their employments, i.e. they can opt-out on one job but continue paying contributions on another.**
- **For new casual employees, you will need to amend procedures to establish whether or not there is mutuality of obligation in employment law in order that you can establish their eligibility for membership in accordance with the rules as detailed above.**

## HOW TO CONTACT US



Pensions Services  
P O Box 11  
County Hall  
CHELMSFORD  
CM1 1LX



01245 431912

01245 493439

[pensionenquiries@essexcc.gov.uk](mailto:pensionenquiries@essexcc.gov.uk)

## How do I .....? Final Pay

We are often asked by Employers for help with calculating Final Pay. We can give you pointers and help you to understand the regulations but we can't do the calculation for you.

However, the basic principles of calculating Final Pay are actually very simple, i.e. ;

- ◆ A member's final pay is his pensionable pay for as much of the final pay period as he is entitled to count as active membership in local government employment
- ◆ The final pay period is the year ending with the day on which the member stops being an active member (or one of the two previous years if this is higher) e.g. if a member leaves on 15 August 2008 then the final year will normally be from 16 August 2007 to 15 August 2008. Likewise, you would use the year to the respective 15th August if you were using one of the two previous years.
- ◆ If one of the two preceding years would produce a higher figure then that year can be used. In these cases you should send us two form PN68s, one for the final year and the other for the highest of the two preceding years.
- ◆ Any reduction or suspension of a member's pay during the final pay period because of his absence from work owing to illness or injury should be disregarded.
- ◆ If member has suffered a reduction in pay it may be possible to use the average of any 3 consecutive years in the final 10—please ask our Member Services team if you have such a case.

You should already know what elements of pay are

pensionable because you will have been deducting pension contributions from that pay. If you are not sure if an element should be pensionable then please ask and we will try to help you decide.

### Example

Ceased pensionable employment = 30/09/07

Final pay period = 01/10/06 to 30/09/07

Pay rates - w.e.f. 01/04/06 = £15000

- w.e.f. 01/04/07 = £16000

Weekend enhancements for final year = £ 1250

01/10/06 to 31/03/07 = 6/12 x £15000 = £ 7500

01/04/07 to 30/09/07 = 6/12 x £16000 = £ 8000

= £ 15500

Plus weekend enhancements + £ 1250

Final Pay = £ 16750

### Part-timers

For part-timers, the final pay is the whole-time equivalent pensionable pay, i.e. the pensionable pay which they would have received if they had been whole-time.

Some pensionable additions should probably be grossed up to the whole-time equivalent for part-timers, e.g. shift allowance.

But for others, such as weekend working, it may be appropriate to just use the actual amount earned.

You should always refer back to the basic principle which is to use the pay they would have earned if they were whole-time, e.g. would the member have done more weekend working if they were whole-time?



We're on the Web:

[www.essexcc.gov.uk/pensionservices](http://www.essexcc.gov.uk/pensionservices)

## ABOUT US

Essex County Council are the Administering Authority for the Local Government Pension Scheme (LGPS) in Essex.

There are more than 400 scheme employers participating in the Essex County Council Pension Fund.

In Pensions Services we administer the LGPS for in excess of 90,000 scheme members including active, deferred and pensioner members.

Financial Strategy & Investments deal with the investment of the Pension Fund itself and with the collection of contributions from employers. If you have any questions on these subjects they can be contacted on 01245 431301 (Investments) or 01245 431733 (Contributions)