

DERBYSHIRE PENSION FUND

LOCAL GOVERNMENT PENSION SCHEME

EMPLOYER'S NEWSLETTER
NUMBER 130

Year End Layout for Recording Contributions and Pensionable Pay for 2014/15

New information is required this year for the 2014 Scheme and the new Pensions System, therefore please find the attached revised spreadsheet for completion of year end contributions and pensionable pay for the period 01/04/2014 to 31/03/2015.

Please ensure you complete the attached spreadsheet as previous versions are no longer relevant and will not be accepted.

The casual spreadsheet is no longer required.

To help minimise the queries to the Employer after the spreadsheet has been returned, there is a description underneath each column heading to help with identifying the information required. Please ensure you fully understand this before completing the spreadsheet and if you have any queries, please contact Rachel James 01629 539250 or Marie Coxhead 01629 539255.

It is important that you enter all the information in the fields provided. Please leave any columns that are not relevant to your organisation blank and do not delete. The columns relating to the changes in contribution rate have been removed from the spreadsheet as these are no longer required.

Please note the CARE pensionable pay provided will be used to calculate each member's pension benefits for the period 01/04/2014 to 31/03/2015. CARE benefits are built up each Scheme year therefore it is essential that this information is accurate.

In addition, the following information is used when issuing Annual Benefit Statements therefore please ensure the correct information is provided as follows:

- The full time equivalent salary at 31/03/2015 (2008 regs) is required for the calculation of the pre 2014 benefits (this should be reduced for a term time employee for the number of days or weeks contracted to work) and should not include any additional payments. Please ensure this figure is not reduced or left blank if a member is on sickness or maternity leave.
- Please provide any pensionable payments made in addition to the basic salary on which contributions have been paid for the year ending 31/03/2015 in the column headed "Additional Payments/Allowances for Period 01/04/2014 to 31/03/2015 (2008 regs)". Please do not include the actual FTE annual salary in this column and ensure only allowances that would have been pensionable for the calculation of pre 2014 pensionable pay are included. Payments that should not be included in this column are: Non-Contractual overtime, additional hours, payments made in respect of accrued annual leave.

- If there are any leavers in the year please enter the full time equivalent salary at leaving.

It would be helpful if the employer would also complete the notes section regarding the following:

- Identify where a member has dropped pay (from previous year) i.e. single status / reorganisation / restructure OR if maternity / sick (need more information)
Example:
 - If a member is on maternity leave please provide the dates and unpaid period if applicable. Please ensure that a P44 Maternity/Adoption form has been completed and sent to the Pension Section in cases where there is unpaid leave.
 - If a member is on long term sick please inform us if contributions are reduced due to half pay / no pay.
- Please do not enter negative allowances on the year end returns. If there are instances where there are negative allowances then these require looking at and the query resolving before the year end file is sent. Please clarify if contributions are low and why.
- Before the year end file is sent please check that all those with a date of leaving have had a leaver form completed and sent to the pensions section.

TIMESCALES

- 1. In order to ensure we meet timescales regarding HMRC tax requirements Annual Benefit Statements must be distributed by 31st August 2015, therefore this spreadsheet must be sent to the Pensions Section by the 30th April 2015.**

The deadline of 30 April 2015 is critical for the following reasons:

- To provide sufficient time for the Pension Section to load data to each member's personal file and resolve any queries with employers (if required).
- To load and check data used in the production of Annual Benefit Statements.
- The Scheme Regulations allow Scheme Managers to recover costs from employers as a result of poor performance, failure to meet this deadline can result in fines that may need to be passed back to employers

When sending the spreadsheet, please ensure your Employer name is in the subject of the email and send it to:

Pensionstech@derbyshire.gov.uk and ensure the spreadsheet is password protected. We will contact you for the password on receipt of the spreadsheet.

However if you have a **secure** email address please send to Marie.coxhead@derbyshire.gcsx.gov.uk . If sending from a secure email you do not need to password protect the spreadsheet.

Pensions Section
Derbyshire County Council
County Hall
Matlock
Derbyshire
DE4 3AH

February 2015

DERBYSHIRE PENSION FUND

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EMPLOYER'S NEWSLETTER
NUMBER 131

LGPS – Contribution Bandings

Employee Contribution Rates – Bandings for 2015/16

The contribution bandings and rates for 2015/16 are as follows:

| Actual Pensionable Pay | Gross Contribution rate (%) | |
|------------------------|-----------------------------|---------------|
| | Main Section | 50/50 Section |
| Up to £13,600 | 5.5 | 2.75 |
| £13,601 to £21,200 | 5.8 | 2.9 |
| £21,201 to £34,400 | 6.5 | 3.25 |
| £34,401 to £43,500 | 6.8 | 3.4 |
| £43,501 to £60,700 | 8.5 | 4.25 |
| £60,701 to £86,000 | 9.9 | 4.95 |
| £86,001 to £101,200 | 10.5 | 5.25 |
| £101,201 to £151,800 | 11.4 | 5.7 |
| £151,801 or more | 12.5 | 6.25 |

For technical and legal information for employers, including detailed HR and payroll guides, please use the [LGPS 2014 Regulations and Guidance website](#). The HR guide sets out some of the requirements of the LGPS2014 including assessing of contribution bandings.

Each employer should assess the appropriate rate in a reasonable and consistent manner.

There is no change to the scheme for Councillors and they continue to pay 6%.

If you require any assistance please contact Sarah Rex 01629 538862, Rachel James 01629 539250 or Marie Coxhead 01629 539255

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NUMBER 132

HMT consultation on a proposed exit payment cap of £95k

On Friday 31 July 2015, HM Treasury issued a consultation on a Public Sector Exit Payment Cap - see <https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap>. The consultation closes on 27 August 2015 and seeks views on a proposal to legislate for a £95,000 cap on the total value of exit payments made to an individual in relation to their exit from public sector employment, including any Pension Fund shortfall. You can respond direct should you wish. Alternatively, the LGA would welcome any views you may have which may be helpful in preparing a joint response to the consultation document on behalf of the local government sector. Any comments should be submitted to jeff.houston@local.gov.uk by not later than 20 August 2015. Or you can do both! I have attached a brief summary of the issues from our actuaries, Hymans Robertson, which I think should be quite helpful.

The end of contracting out April 2016

The LGPC Secretariat has published a Q&A for Scheme employers on the ending of contracting out. The document is available on the Communications Resources section of the LGA website at <http://www.lgpsregs.org/images/CommsResources/QandAEmployersEoCO.pdf>, and focusses on the cost impact for employers of the loss of the 3.4% National Insurance rebate next April. Amongst others, the question, 'What should I be doing to plan for this change?' is answered there.

HMT consultation on Pensions Tax Relief

This exercise was issued on 8 July and has a response deadline of 30 September. The main thrust seems to be to explore the idea of removing tax relief at the pension contributions stage, and giving it back by making pension payments tax free once you retire. Some people are calling it 'ISA-style pensions'. The document is available at <https://www.gov.uk/government/consultations/strengthening-the-incentive-to-save-a-consultation-on-pensions-tax-relief>. Derbyshire County Council has agreed a fairly unequivocal response, and further agreed that I should share the text of it with the other employers in the Derbyshire Pension Fund, as it might save you time if you wish to respond in a similar manner. Please, therefore see the attached text.

Guidance for Independent Registered Medical Practitioners (IRMPs)

As you will know from experience, it is sometimes difficult for employers to make appropriate and defensible decisions on bringing LGPS benefits into payment on the grounds of ill-health. Employers are dependent upon medical reports, yet must make a decision that is not based solely upon that information. Derbyshire County Council has written to its IRMPs to guide them in how best to provide the clearest assessment of the medical position in the short and longer term. The Council hopes this will help to improve the quality of medical reporting and, consequently, the quality of employer decision-making in these matters. Ultimately, this should lead to less appeals and time-consuming cases going to the Pensions Ombudsman. The Council has authorised me to share their guidance letter with you (attached) should you wish to follow a similar course.

Applications under the Adjudication of Disagreements Procedure

Many of you will be aware that the old Internal Dispute Resolution Procedure (IDRP) is now known as the 'Applications under the Adjudication of Disagreements Procedure'. We have, therefore, updated the guidance leaflet and application form on our website, http://www.derbyshire.gov.uk/working_for_us/pensions/about_us/complaints/default.asp. Please direct anyone wishing to appeal a decision to these new forms, and destroy any old ones that may have been printed off.

Pay Protection

Further to input from Derby City Council, we have been working on improving the process whereby employees apply for 'Pay Protection' where their pensionable pay has been reduced or restricted. A new form, which guides people through the process, will shortly be available on the website. The main change is that when the employee completes the form, (s) he is asked to send it to the employer for agreement / authorisation, before it comes to the Pensions team. This is designed to prevent those 'difficult to resolve' retrospective arguments, which have occurred as a result of not involving the employer at the appropriate time. There is still a catch, in that the employee can leave his or her application until a month before leaving, but hopefully most will respond more promptly than that.

Employer Training Day – there are still a few places left!

HR and Payroll representatives of fifty employing authorities have booked a place with us already, but there still up to twenty places available with four working days left before cut-off. This really is the best quality training available on calculating pensionable pay. The parallel LGA sessions (same course, same trainer, same delegate packs, but greater cost than ours) are now fully booked in London, Leeds, Exeter, Birmingham and Cardiff, with spaces only remaining for Liverpool and Peterborough. So you can see how valued this opportunity is across the country.

As a reminder, the training is aimed at employers that have staff in the Local Government Pension Scheme (LGPS), and for outsourced payroll providers that provide a pay/HR service for employers. It will guide you through the calculation of career average revalued earning (CARE) pay and final pay, for use in scheme members' pension benefits. It also goes through all the aspects of pay used for benefits accrued before CARE and for those members with protections. It will also be an opportunity to meet and discuss issues with HR and Payroll people from other organisations locally who are facing the same challenges as you, perhaps even using the same payroll software.

The cost is £100 per person (plus VAT). The price includes the delegates pack, drinks, lunch, car parking and Wi-Fi access at the venue. You just need to remember to bring your calculator.

The event will be held on Friday 21 August 2015 starting at 10am, and is due to finish by 4pm.

The venue is the Novotel Hotel, Bostock Lane, Long Eaton NG10 4EP. This is just off junction 25 of the M1, where it intersects with the A52. Please email me before the end of play on Tuesday 11 August if you would like one of the remaining places.

Nigel Dowey
Pensions Manager

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County Hall
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AUGUST 2015

DERBYSHIRE PENSION FUND

LOCAL GOVERNMENT PENSION SCHEME

EMPLOYER'S NEWSLETTER
NUMBER 133

Annual Pension Statements (APs)

As you know APs have been delayed this year, and we are very grateful for your help in getting that message out to Fund members. Please note that APs will now be posted out to members' home addresses during the second half of November. Every effort has been made to ensure that they will be as accurate as possible, but they will inevitably prompt a burst of pay related queries which will be directed to the employing authorities' payroll teams. The APs refer to the 2014/15 year, which was the first year of the CARE scheme, so we have no direct experience of how many or what types of queries may arise. However, it seems likely that the majority will be about the pay figures provided, so larger employers in particular may wish to plan for this.

The Pensions Regulator (TPR)

TPR has acknowledged that LGPS Funds have this year faced 'a significant task in implementing the major reform of their benefit design, establishing new governance arrangements and putting in place systems to deal with the administration of the new and transitional arrangements, while maintaining and implementing legacy systems'. Therefore, our breach of the statutory requirement to issue APs by 31st August will not be subject to any further action by the TPR under their 'Compliance and Enforcement Policy'. However, looking to next year and beyond, it is unlikely that we will be able to point to these reasons again for failing to issue APs by the statutory deadline. We are advised to take steps now so that improvements can be made for next year, and that includes putting processes in place which will enable us to demonstrate the efforts made to assist and educate employers in submitting accurate, timely information, together with documented evidence of any failure to improve. Such evidence would be taken account of by the Regulator when considering if, for example, the issue of third party improvement notices to employers would be an appropriate response.

Please be aware then that, alongside at least the usual level of support and guidance we offer with year-end returns and other items, we will also be closely monitoring employer performance against the Pensions Administration Strategy, and taking action as appropriate. Currently, the LGPS Regulations allow for the administering authority to fine employing authorities under certain circumstances, and TPR would expect us to make employers aware of this as part of our measures to attempt to achieve compliance next year.

Speedy transfer of data

To help with continually improving performance, we are working on a number of developments as follows;

- There is a new 'Change of Post' form available on the employer section of the web site at http://www.derbyshire.gov.uk/working_for_us/pensions/employers/default.asp. This is designed to reduce the number of forms employers are required to complete and send, and will save on admin at both ends. Hopefully this will be

helpful, but ideally employers will adopt a standard paragraph in their letter of variation or 'change of post contract' that negates the need for a form at all, unless the employee actively wants to keep their pension records separate or take benefits from the former post. This is something that Derby City Council and Derbyshire County Council already do. Please let us know if you wish to incorporate this too. A copy of the wording to be incorporated is attached for your information.

- Also, please be aware that we do not require notification of pay changes during the year. There is no need to forward this information to us.
- We will soon have two GCSX accounts set up for the secure transmission of sensitive data between local authorities. If you have access to this facility, you will be able to send day-to-day items such as L1 Leaver forms to secure.pensions@derbyshire.gcsx.gov.uk, and items relating to specific projects, such as responses to queries on year-end returns, to gcsxpentech@derbyshire.gcsx.gov.uk.
- Please note that, in cases where a leaver's pensionable pay in their final pay period(s) is predictable, L1 Leaver forms can be sent well in advance of the leaving date. The earlier L1s are received, the sooner we can contact the leaver with their conversion options, and pay their benefits.
- On a related topic, if you aren't doing so already, please remember to notify us about starters, changes and leavers as they happen, rather than waiting for them to be caught by the year-end processing.
- We will shortly be changing the name of the 'Benefit Estimate Request Form' to the 'Provisional Quote Form'. This is consistent with the terminology used by our system suppliers and others, so will help to avoid any confusion in the longer run.

Further help and guidance

- We have developed an 'Aggregation factsheet' which will help you and your employees with queries they may have around whether to link previous periods of Fund membership, or to keep them separate. It can be found on the website at http://www.derbyshire.gov.uk/working_for_us/pensions/scheme_members/factsheets_leaflets/default.asp.
- We have also amended the Membership Booklet to bring it up to date. You can access this on the employers section of the web site as above.

Please ensure that you forward this newsletter to all departments within your organisation (or outsourced provider) responsible for completion of pension forms i.e. payroll and HR departments.

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Pensions Manager

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For information and action – 2015/16 Year-end return

We mentioned in Newsletter 133 that the Pensions Regulator expects the Pension Fund to encourage and incentivise employing authorities to submit their 2015/16 LGPS return promptly and accurately. Please note, therefore, that the deadline for submission is 30 April 2016, and that a late submission could attract a financial penalty. LGPS Funds across the country are currently looking at developing a charging mechanism that is realistic and consistent, and will help us all to meet our statutory deadlines. More details will follow in the next Newsletter.

In February, we will supply you with a full specification and guidance on how to complete this year's return. However, if you have concerns about providing accurate data within the April 30th deadline, please get in touch. We can supply the guidance earlier if required, and work with you to clarify any issues in advance.

For Information and action – Changes to processing of AVC Notifications

Please note that from January 2016 the Administering Authority will no longer forward to you instructions from the Prudential relating to monthly notification of changes for AVCs. All employers who have employees who make payments through their payroll to Prudential AVCs, should receive monthly notifications directly from the Prudential when a change is required. Please ensure that you take the appropriate action on receipt of the notifications directly from Prudential, as you will not receive any further such instructions from the pension fund. Please contact the Prudential and/or your employee if you have any queries in relation to the notifications.

Also please ensure when paying over the contributions to Prudential, that you clearly identify which post or posts each month's contributions relate to. Please pay particular attention to this when an employee leaves one post and starts another. For employees with more than one post this will avoid confusion and delay when the member retires.

For Information – Pensions Ombudsman Ill Health Newsletter

The new Pensions Ombudsman, Anthony Arter, recently announced the release of a newsletter for the LGPS in England and Wales on ill-health retirements.

The document provides generic guidance on how the Pensions Ombudsman Service may consider an ill-health complaint and will be of use to scheme employers in considering ill-health cases. It includes the following sections:

Guidance accompanying the 2013 Regulations

Ill health retirement from active status – what should happen:

- Regulation 35: Questions for the scheme employer to determine
- Regulation 36: Independent Registered Medical Practitioner
- The scheme employer's decision
- The Pensions Ombudsman's findings and directions

Ill health retirement from deferred status – what should happen:

- Regulation 38
- What might go wrong – things to look out for
- Medical evidence and decision
- Procedure and Adjudication of Disagreements procedure (was IDR)

You can read the Ombudsman's newsletter at:

<http://www.lgpsregs.org/index.php/dclg-publications/other-guidance>

For information and Action – Change to Lifetime Allowance (LTA)

The Lifetime Allowance (LTA) is currently £1.25 million but is reducing to £1 million from 6 April 2016.

The lifetime allowance is the amount of savings that a member can take from all their pension schemes without facing a tax charge. If an individual's pension savings are worth more than £1 million they may need to protect their pension savings from the lifetime allowance tax charge.

The reduction in the LTA means that more individuals may face a tax charge on retirement.

The basic calculation of an individual's pension savings is 20 times the annual pension, plus any pension lump sum, plus any AVC fund value (the actual calculation is more complicated but this gives a basic idea). So an individual with a total annual pension entitlement (all pensions not just LGPS) of £50,000 would reach the LTA. If taking into account any pension lump sum or AVC fund on top of this pension they would then breach the LTA and face a tax charge unless they have protection in place.

Please ensure that your members are made aware of this change and for more information, including the protections available please refer to the leaflet on our website at:

http://www.derbyshire.gov.uk/working_for_us/pensions/scheme_members/factsheets_leaflets/default.asp

Please forward our newsletter to all departments within your organisation (or outsourced provider) i.e. payroll and HR departments who may need to be made aware of this information.

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For information - Employer Risk Questionnaire

As responsible administrators of the Derbyshire Pension Fund, we are of course required to assess the risks to our ability to meet our future liabilities. Employer contributions are vital to the sustainability of the Fund, so we will soon be circulating an 'Employer Risk Questionnaire' to all the Derbyshire Pension Fund employing authorities.

The purpose of this exercise will be to;

- a) Quantify the financial risk the Fund is exposed to by employers, individually and collectively; and
- b) Identify actions, in collaboration with employers, to minimise the risk

The information gathered will be used in conjunction with next year's Fund valuation exercise to help us, and the Fund actuary, to arrive at accurate and robust conclusions. The valuation outcomes will be important to us all in the short, medium and long term. Therefore, please would you ensure that the 'Employer Risk Questionnaire' is passed to the appropriate person in your organisation for completion as soon as possible after you receive it?

For action please – Annual Pension Statements

Please could you communicate the following message to your employees?

As promised, the Derbyshire Pension Fund Annual Pension Statements have been sent out now in the majority of cases. If you haven't received yours yet though, there is no cause for concern. Please see more information on the Pension Fund website;

http://www.derbyshire.gov.uk/working_for_us/pensions/annual_pension_statements/default.asp

Apologies for the last minute nature of this request, but it is important that, between us, we get the message to anyone who has yet to receive their 2014/15 statement, that there is no cause for concern. If you could use your internal networks to circulate this, it would be greatly appreciated.

For Information – Alignment of Pension Input Period for Annual Allowance

The annual allowance is a limit to the total amount of benefits that a member can build-up in a defined benefit pension scheme each year, for tax relief purposes. The annual allowance is currently capped at £40,000 and the build-up is currently measured from 1 April to 31 March each year.

With effect from April 2016 the Government are aligning the period (known as the Pension Input Period) to match the tax year 6 April to 5 April. The LGPS had considered re-aligning the pension scheme year to match the new Pension Input Period but has recently determined that the scheme year will remain 1 April to 31 March. This means that for the purposes of calculating the Annual Allowance for individual members, the Derbyshire Pension Fund would need Final Pensionable Pay and Actual Pensionable Pay for the period from 6 April to 5 April and the same information for the scheme year-end from 1 April to 31 March.

As only a few members are likely to breach the Annual Allowance limit in any one year the Derbyshire Pension Fund has taken the decision that we will only request employers to send scheme year-end information from 1 April to 31 March for all members. However where an individual is near, or looks as if they may breach the annual allowance limit we will need employers to send information for the 6 April to 5 April on request. We believe that this presents a sensible approach and the least disruption for our employers. We will provide further information nearer the time.

Please forward our newsletter to all departments within your organisation (or outsourced provider) i.e. payroll and HR departments who may need to be made aware of this information.