

DERBYSHIRE PENSION FUND

LOCAL GOVERNMENT PENSION SCHEME

EMPLOYERS' NEWSLETTER NUMBER 136 – February 2016

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For Action – Ending of Contracting Out

As you should already be aware, contracting out comes to an end on 5 April 2016, and it is likely you will be looking at how best to communicate the impact of this to your employees who are members of the LGPS. The Pension Fund itself is also looking to ensure that this message is communicated to scheme members. In order to avoid duplication and to manage this as efficiently and consistently as possible, it would be greatly appreciated if you could use your internal communication networks to pass on the attached explanatory letter to members. Please let Nigel Dowey know if you are unable to undertake this, or if you have any questions;
nigel.dowey@derbyshire.gov.uk.

Please also be aware that there is an updated version of the employer Q&A on the ending of contracting out on www.lgpsregs.org under Communications Resources. The Q&A has been updated to include the confirmed NI bandings for 2016/17. A link to the Q&A and further information can be found on our website at: http://www.derbyshire.gov.uk/working_for_us/pensions/

For information / Action – Secure transmission of data

A number of Local Government Employers use the GCSx system for the secure transmission of sensitive data to the Pension Fund. Please note that we have a new generic GCSX account which you should use with immediate effect for secure transmission of forms and sensitive data. The address is secure.pensions@derbyshire.gcsx.gov.uk.

For Information - 2015 / 2016 Year-End

Please note: do not use the generic GCSx account for year-end information, you should continue to use the specific secure email provided to you by the pension's technical team

All employers should have received the template and guidance to enable the provision of a speedy and accurate return in this particularly important year. Please let us know if you think you will have difficulties completing and returning the information before the end of April.

For Information - Contribution Bandings and Automatic Enrolment Threshold

The DWP has confirmed that the earnings trigger will remain at £10,000 for 2016/17.

It is our understanding that, on the basis of the LGPS Regulations 2013 the employee contribution bandings for 2016/17 will remain the same as they have been for 2015/16. However, we are still awaiting formal confirmation of this from the DCLG. We will issue further details once this has been confirmed.

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For Immediate Action – Membership forms for new starters

Currently when an employee joins the Local Government Pension Scheme, Derbyshire Pension Fund employers are required to send them our Membership Information Form along with any other information you are required to send them i.e. contract, auto-enrolment information.

With immediate effect please cease sending the Membership Information Form. We have now changed our process so that the Pension Fund sends the form once we have received notification of a new joiner from you. We will be removing the form from our website so it will no longer be available to download.

There are several reasons for this change, one is that we often receive the completed form before we receive notification of the employee joining the scheme and we have to hold onto the form until we can tie this up with the joiner record. Another reason is that we now scan all post into our new pension system. We are able to barcode forms that we send out so that when we receive them back they can be indexed directly to the member's record. This is much more efficient and saves time.

In the cross-over period some employees may have received a copy of the Membership Information Form from you and will receive another from us. If you have queries from employees where this has happened and they have already sent in their form to us please advise them that they do not need to complete the form again. If they haven't completed either form please advise them to fill in the new form that we have sent them (which will have a barcode at the top).

You must still send employees information about the pension scheme when they are joined to the scheme but this should already be covered in the auto/contractual enrolment information you provide them with. You must also make sure that you send us the S1 – Starter form within 6 weeks of the individual being joined to the scheme (if new joiners are not provided through an automatic interface).

If you need more information on this please contact Sarah Rex 01629 538862

For Action/Information - Contribution Bandings

Further to Newsletter 136 we are still awaiting confirmation of what the new contribution bandings for members will be. However, we have been issued with the following statement:

In the Local Government Pension Committee's (LGPC) view, both sets of bandings will remain the same for 2016/17 as they were for 2015/16. This is because:

- *Both regulation 9(5) of the LGPS Regulations 2013 and regulation 9(3)(a) of the LGPS (Scotland) Regulations 2014 say that the bandings will be increased as if they were pensions under the Pensions (Increase) Act 1971, and*

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

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- *The Government has already confirmed that it is intended that, this year, pensions increase under the 1971 Act will be zero.*

Therefore, barring any changes to the LGPS Regulations 2013 or the LGPS (Scotland) Regulations 2014 before the end of March 2016 (and we are not aware of any plan for these provisions to be amended), the employee contribution bandings for 2016/17 should be the same as for 2015/16. For England and Wales, we do not anticipate separate formal confirmation of this from DCLG, but we understand that SPPA are working on a circular to confirm the position

We would suggest that you assess your LGPS member's contribution rates for 2016/2017 on the current bandings – available at:

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

However, please be aware that if the position changes you may need to re-assess some members if the bandings do change.

If you need more information on this please contact Sarah Rex 01629 538862

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For Action/Information - Election Staff and membership of the LGPS

This is just a reminder for Councils that only the Returning Officer may be a member of the Local Government Pension Scheme (LGPS). All other election posts such as canvassers, presiding officers and poll clerks etc. are deemed to be employees of the Returning Officer. The Returning Officer is not a Scheme Employer within the LGPS and therefore all other election staff cannot join the LGPS.

If you need more information on this please contact Sarah Rex 01629 538862

For Action/Information – Pensions Administration Strategy (PAS)

Part 9.1 of the PAS outlines the performance targets for all employers, but there is at least one point there that requires amendment. The target with regard to Leaver details for those with immediate entitlement to benefits, is 15 working days prior to the member's last day of service. This is increasingly difficult to achieve due to the more variable nature of pay and contracts, as well as the inclusion of non-contractual overtime as pensionable pay. In order to comply, some employers have been providing 'best guess' information to meet the target, and submitting revised pay details thereafter which, although it enables reasonably accurate benefits to be paid promptly, leads to more work for them, and for us.

We will soon be reviewing the PAS and addressing this point. In the meantime, however, we will only be expecting employers to stick to this target in cases of salaried workers whose pay is very unlikely to change. Please though, try to ensure that the L1 form is submitted as soon as possible after the final salary payment is calculated in those cases where an individual's pay varies from month to month.

If you need more information on this please contact Sue Hubbleday 01629 538881

For Action/Information – Triennial Valuation of the Pension Fund

The timetable is now taking shape for this year's valuation exercise, which ultimately determines employers' contribution rates for the three years from 2017/18. We are required to submit our data to the Fund actuary by 15th July, the quality of which, of course, is dependent in large part upon the promptness and accuracy of your year-end returns. The majority of the year-end returns have now been received, and our Technical Team will be working with you over the next 12 weeks to resolve the resultant queries and discrepancies. The initial results of the valuation process will emerge in the autumn, and we have arranged a session for employers on 25th November 2016 in County Hall at which the results will be presented and explained. There will also be further opportunity for individual sessions if required. So, please put the date in your diary and / or notify the Finance Officer at your organisation.

If you need more information on this please contact Rachel James 01629 39250

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Clean Data

We deal with millions of data items and it is essential that this data is correct. There are several consequences of incorrect data:

- Under or overpayments to scheme members
- Subsequent recovery of the above
- Reputational damage to Employers or the Scheme

Ultimately incorrect data can have an effect on the pension contributions you pay as employers. As you are aware, the preparation of Annual Benefits Statements is a lengthy process and it is essential that the data we use is accurate as even a small error can lead to unrealistic expectations about the benefits Scheme Members may receive.

It is essential that employers provide us with accurate data and use the most recent versions of forms- please do not print and store these as you may be supplying incorrect or unnecessary data, creating additional work for your payroll administrators.

We will be contacting you shortly to update our Employer database to ensure that we have all the correct details on file. You will also receive a request for authorised signatures and authorised doctor details and signatures. Even if there have been no changes, we will need you to complete and return the forms as requested.

Accurate contact information is essential for the Derbyshire Fund and its Employers to work together effectively and efficiently.

LGPS Investment Pooling

There are 91 separate LGPS funds in England and Wales and there is a proposal to pool LGPS investments, creating six pooled funds, each having assets of at least £25bn. In 2015 the Funds themselves were tasked with drawing up plans to meet the government target, with a deadline of 02/16 for initial proposals and 07/16 for final proposals.

The Investments Team have focused on delivering a plan that meets the demands of the Government whilst delivering the best possible outcome for the Derbyshire Fund. We believe that the Fund interests would be best served by forming a Central Pool, comprising midlands county funds plus West Midlands. This will enable us to continue to manage a large proportion of assets in-house whilst taking advantage of economies of scale and shared expertise.

We will provide you with further details in subsequent Newsletters.

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Outsourcing and TUPE Transfers

It is **essential** that we are informed at the earliest possible opportunity of any potential transfers of staff (TUPE or otherwise), well before any commercial agreement affecting employee transfers is made between the scheme employer and the provider. This is important because the terms of the pension arrangements need to be factored in to the tendering and procurement processes. New employers must be made aware of the fact that they will need to continue with LGPS or a broadly comparative scheme for any eligible employees who are transferred to them. In addition, they need to be informed that they will be responsible for the costs of Actuarial reports, that they may have to make provision for a Bond guarantee and that they will pay monthly employer contributions.

Early contact with us avoids potential substantial problems and commercial disputes arising. It also protects the interests of employees.

Reform of Public Sector Exit Payments

The Government has made it clear it intends to curb the incidence of, and costs associated with, early termination of employment across the public sector. We have already seen consultations on the recovery of termination payments for certain high earners who are subsequently re-employed and the introduction of an overall cap of £95,000 on public sector exit payments.

What does this mean for employers?

If taken forward by the Government, most of the above suggestions could have implications for you as an employer. You may be required to reconsider your policies around workforce management and termination policies.

You can view the consultation document [Here](#)

Once the Government responds to the consultation, we will contact you with further details.

LGPS Planning for Retirement Meetings

Following the success of the Planning for Retirement Meetings earlier in the year in Chesterfield, Clowne and Matlock, we have new sessions planned in Glossop, Ripley, Shirebrook and Matlock in September and October. Further details and invitations will go out shortly.

This is an opportunity for Scheme members to find out more about how to make the most of their pension options. The sessions are free and are run by Andrew Booth, one of Prudential's Regional Workplace Consultants. The seminars are factual and informative and last around an hour. Andrew provides useful information, but not advice.

For further information about these events, or to discuss hosting an event in the future, Contact: Denise Wragg, 01629 538704; denise.wragg2@derbyshire.gov.uk

July 2016

Pensions Section
County Hall
Matlock

Admission Agreements - Private Contractors

Important information for all employers with services to be tendered

Local Government Pension Scheme (LGPS) Regulations permit external providers to enter into an Admission Agreement with a "Best Value authority" as an alternative to offering a broadly comparable pension scheme. In addition, New Fair Deal is a non-statutory policy which maintains access to LGPS schemes where employees are transferred from the public sector to a private employer under TUPE terms.

Such agreements allow scheme members who are TUPE transferred from their Local Government employment or from, for example, an Academy or Free School to an external provider of those services, to remain in the LGPS for so long as they are employed in connection with the delivery of the outsourced service. Other staff employed by the external provider, who work in connection with the delivery of the outsourced service, may also be allowed to join the LGPS if the admission agreement permits this.

It is therefore vitally important that officers who have responsibility for or have involvement in procurement or other forms of potential outsourcing discuss with the Derbyshire Pension Fund the pension implications of outsourcing staff at an early stage.

***Important Update:* On 27 May 2016, the Department for Communities and Local Government published a consultation paper on proposed changes to the LGPS. The consultation closed on 20th August. Under the proposals, the current pension protection afforded to local authority staff TUPE transferred to the private sector will be changed so that the "broadly comparable" option - whereby the new employer can provide broadly comparable pension benefits to the LGPS under their own private pension arrangement - will end. From the date this is implemented, therefore, all new employers will have to offer the LGPS in all cases.**

Once a decision has been made to outsource a service the Pension Fund administering authority should be notified as soon as possible and pension costs must be supplied as part of the tender documentation. When drawing up the contract conditions the Scheme employer (outsourcing employer) will need to ensure that pension rights on termination of the contract are covered, as well as the pension rights of staff who may be transferred to other work with the contractor or even a sub-contractor.

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Also to be included in the tender documentation is information obtained from the Pension Fund's actuary. Tenderers will need to be made aware of the likely employer's contribution rate that they will be required to pay should they agree to an admission agreement and the level of bond or indemnity that they will be required to provide to safeguard the Pension Fund against any risk exposure that may occur as a result of the premature termination of the contract. It should be noted that the employer's contribution rate is quite likely to be higher than that of the original employer. It will be necessary for the outsourcing employer to supply to the administering authority details of the staff likely to be transferred as part of the outsourcing process. The cost of the Actuarial report is usually borne by the new employer, and should be taken into account when viewing the overall cost of the process.

Failure to consult with the administering authority at an early stage may create problems and delays during later stages of the process.

Before the Admission Agreement can be signed it is necessary to:

- *confirm an 'Open' or 'Closed' Agreement*
- *provide information to the Pension Fund actuary to enable a final employer contribution rate to be determined*
- *confirm the services being outsourced*
- *ensure that the employer discretions to be exercised by the contractor under the LGPS regulations are published and notified to the Scheme employer and the Administering Authority, and*
- *agree an appropriate bond or indemnity to protect the Pension Fund based on Actuarial advice*

Once the agreement is in place and the contract commences, the parties to the agreement must continue to liaise with one another and maintain periodic reviews of the level of bond or indemnity, the employees entitled to remain as scheme members under the admission agreement and the employer's contribution rate.

The agreement needs to be signed by the scheme employer (the outsourcing employer), the admission body (the newly admitted body) and the Pension Fund administering authority.

For further information about the process of becoming an Admitted Body in the Derbyshire Pension Fund, please contact:

Denise Wragg
Business Services Officer (Pensions)

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| denise.wragg2@derbyshire.gov.uk 01629 538704 | Pensions Section Derbyshire County Council County Hall Matlock Derbyshire DE4 3AH |
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