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Pension
Fund

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Employers Handbook

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Introduction

This Guide is available to all existing and prospective Employers in the Derbyshire Pension Fund (DPF). Derbyshire County Council is the administering authority for DPF under the terms of the Local Government Pension Scheme (LGPS).

Our Pension Scheme Registry Number is: **10079128**

Where an employer is unsure of any element of the data the fund requires, or anything else regarding their responsibilities, they should contact DPF for support. It is very important that all employers understand their responsibilities and this Guide sets out to explain these and the processes you need to follow. Further information is available on our website: derbyshirepensionfund.org.uk

Pension Administration Strategy

Employers should familiarise themselves with the Pensions Administration Strategy; in particular Part 5: Performance Monitoring: [Pensions Administration Strategy 2018](#)

Legal Background

The LGPS (LGPS) is a public sector pension scheme primarily for local government employees in England and Wales. The LGPS is a statutory, funded, career average revalued earnings (CARE) pension scheme with its rules being set out in the following sets of regulations:

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) (the Benefits Regulations)
- The LGPS (Administration) Regulations 2008 (as amended) (the Administration Regulations)
- The LGPS (Transitional Provisions) Regulations 2008 (as amended) (the Transitional Regulations)
- The LGPS (Management and Investment of Funds) Regulations 2009
- [The LGPS Regulations 2013 \(as amended including Statutory Instrument 2014 No. 1146\)](#)
- [The LGPS \(Transitional Provisions, Savings and Amendment\) Regulations 2014](#)
- [The LGPS \(Amendment\) Regulations 2018](#)

Full details of the current regulations can be found here: lgpsregs.org

The LGPS is fully approved by the Inland Revenue. Members' contributions qualify for full income tax relief on the 'net pay system'. You need to ensure that your payroll provider knows how to operate this.

Auto Enrolment

The LGPS is a qualifying pension scheme under the automatic enrolment provisions of the Pensions Act 2008. Full details about automatic enrolment are available here:

[LGPS Guides and Sample Documents](#)

Employers Duties

In addition to the information in this Handbook, please refer to the Employer's section of our website: [Employers](#)

Employers have a statutory duty to provide correct information to DPF so that it can meet its legal responsibilities. Any changes to current details given by an employer to the fund must be reported immediately.

Authorised Signatories

Employers must nominate authorised signatories as formal points of contact for fund communications. We will provide these forms to new employers. On receipt, we will keep scanned copies securely for future reference. All employer contact details must be kept up to date and it is the employer's responsibility to provide us with the correct information. We will also require details of your Independent Registered Medical Practitioners for use in cases of ill health payments.

Payroll Provision and HR

Whoever administers your payroll, it is your responsibility as an employer to ensure that they know their responsibilities and carry them out quickly and correctly. If you contract-out your payroll or change your payroll provider, you must inform us as soon as possible. Information for Payroll and HR can be found here: [LGPS Guides and Sample Documents](#)

Please ensure that whenever you supply us with information, you use the most recent version of any form. Old versions or your own versions of forms will be returned, which may cause delays in processing information: [Forms for employers](#)

Types of employer

Detailed information about the types of employers can be found here (Part 3, Schedule 2): [LGPS Regulations 2013](#)

Scheduled Bodies

These include County Council, District Councils, LEA schools and Academies. The law says you must treat employees, other than teachers and firefighters, in accordance with this guide. They all have the right to join the LGPS provided they meet the entry requirements.

Academies

Academy Schools, including Free Schools, are Scheduled Bodies under the LGPS regulations.

Designating Bodies

Town and Parish Councils make up the bulk of designating bodies, and the authority has the power to decide on eligibility to join the scheme, providing that the admission criteria are met.

The Fund has no discretion to refuse entry to any Scheme employer listed in Schedule 2 Part 1, Part 2 or Part 4 of The LGPS Regulations 2013.

Decisions to be made by DPF upon admission:

- The opening funding position
- Duration of deficit recovery/surplus spreading
- Cost of future service
- Total employer contribution rate comprising the future service rate adjusted for deficit recovery / surplus spreading
- Recovery of early retirement and ill-health costs

Admission Bodies

There are two types of Admission Body:

- Schedule 2, Part 3, 1(a) (formerly known as a community admission body) is a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest.
- Schedule 2, Part 3, 1 (d) (i) (formerly known as a transferee admission body) is a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement.

Both types of Admission Body enter the Scheme by way of an Admission Agreement. Full details of the Admission process are available on our website: [Employers](#)

The issues that will need to be agreed will include:

- The basis on which employees will be admitted
- Basis of determining employer contribution rates
- Requirement or otherwise for a bond/indemnity to be provided by the body
- Controls on factors that could increase liabilities required by the Scheme employer
- Other forms of security to be provided by the body
- How any deficit is calculated on termination

New admission bodies will need to meet all of the external costs incurred by DPF in processing the admission. They must be prepared for the fact that their employer contribution rate will be higher than that paid by the ceding authority, and that they will be required to provide a Bond. When a new employer joins DPF, our Actuary, Hymans Robertson LLP produce a report outlining the employer contribution rate and Bond requirement.

Eligible Employee/Scheme Member

Employers must identify which of their employees are eligible to be members of the LGPS. Eligible employees must be under the age of 75.

Automatic Entry	Must opt to join
<ul style="list-style-type: none"> • New employees with a contract of employment lasting 3 months or more • Includes casual staff with a mutual obligation to work 	<ul style="list-style-type: none"> • Employees with a fixed contract of less than 3 months • Employees with a contract of no mutual obligation

Automatic entry employees must be informed on appointment that their post entitles them to membership of the LGPS, unless they choose to opt out of the scheme. (See Member Opting Out below for further details). Payroll should be informed to collect contributions from the date of employment.

Opt to join employees should be provided with the relevant information. If they opt to join, the Starter form (S1) must be completed and returned as soon as possible. It is the employer's responsibility to ensure that this is done. You can find the S1 Form on our website: [Forms for employers](#)

The S1 Form must be sent to DPF within 6 weeks of the start date of new employment. DPF will send the membership form for each new employee, which must be returned along with the requested documents as soon as possible. Some employers provide this information via automatic interface. Should you be interested in using this facility, please email: pensions.regs@derbyshire.gov.uk

Member Contributions

The rate of contributions will be based on actual pensionable pay. Employers should decide the contribution rate for each job a member holds, by estimating the actual pay earned at the date of joining or on 1st April each year. The pay ranges will be revised annually and we will tell you the new ranges each year. The contribution rates table can be found here: [Contributions Table](#)

The LGPS has two sections; the main section and the 50/50 section. Data requirements are the same for both sections but the 50/50 section allows members to remain in the scheme and receive full life and ill health protection whilst paying half the contribution rate to receive half the pension benefits. The Employer contribution remains the same. When members switch between the main section and 50/50 section, DPF should be informed using this form: [Pension Option Form](#)

Employer roles and responsibilities for member contributions:

- Employers are responsible for deciding which band applies to each member. We will help you where we can, to ensure a consistent approach for all members.
- Employers have a legal responsibility to tell each member in writing which band they have been allocated each year and tell them about the appeal procedure in case they disagree. This may need to be assessed annually; or more frequently if there is a potential change of banding due to changes in levels of pay.
- It is also the employer's responsibility to make sure the correct contribution rate is always deducted from the scheme member's pay.
- If a member moves to the 50/50 section of the scheme, notify your payroll to adjust the contributions from the next available pay period. Inform us as soon as this happens.
- Employer contributions are paid at the full rate when a member moves to 50/50.

- It is the employer's responsibility to make sure that their payroll provider implements and amends contributions correctly and promptly.

Employers need to show basic contributions separately from any additional contributions on the Monthly Contributions remittance, CR1, and for each member separately on the Year End return spreadsheet. The Year End return spreadsheet must be completed and submitted to DPF by **19 April**. Employers who fail to meet this deadline may be charged for the additional administrative costs incurred by late submission.

Individual Notifications

The employer, or their payroll provider, must ensure that the following information is provided to DPF. Notifications must be submitted to DPF as soon as possible (but at the latest within one month) after the event. The latest versions of the notification forms can be found here: [Forms for employers](#)

- **S1:** For new starters and also existing staff who had previously opted out of the LGPS
 - Upon receipt, DPF will issue membership information to the employee
- **C1:** For changes of a member's personal details
 - Changes of name, marital status, address etc.
 - Correction of National Insurance number or Date of Birth
- **C2:** For changes of employment details
 - Changes of post, hours etc.
 - Changes in membership between the 50/50 and Main section of the Scheme
- **C3:** For periods of unpaid absences, except for sickness
- **C4:** For dismissal on the grounds of gross misconduct
- **L1:** For member's leaving the LGPS, for any reason
 - Where members are aged 55 or over, please notify DPF as soon as you know they are leaving/retiring.
 - If a member dies in service, please contact DPF as soon as possible

Where possible, DPF is keen for employers to provide some or all of this information via automatic interface. Should you, or your payroll provider, be interested in using this facility, please email: pensions.regs@derbyshire.gov.uk

Record Keeping

All employers are required to keep detailed pay records covering the previous decade. As the LGPS is a statutory pension scheme, scheme employers are able to retain data beyond the standard 6 year time period prescribed by the General Data Protection Regulation.

Estimates

All queries regarding estimates should be passed to DPF. Members can use the calculator on our website: [Calculate Your Benefits](#)

Buying Extra Pension

Scheme members may choose to buy extra annual pension, up to a set maximum, using an Additional Pension Contribution (APC) contract, with or without a contribution from the employer,

(when an employer contributes this is known as a Shared Cost APC). However, a Pension Fund Administering Authority can require the member to produce a report by a registered medical practitioner of the results of a medical examination (undertaken at the member's own expense) and can refuse an APC contract application if they are not satisfied that the member is in reasonably good health. Subject to that, a member can enter into an APC contract to buy lost or extra pension.

Members may also elect to pay Additional Voluntary Contributions (AVCs). The DPF In House AVC Provider is the Prudential. We can inform but not advise Scheme members: [Additional voluntary contributions](#)

Member Opting Out

Membership of LGPS is not compulsory. However, all eligible employees must be treated as members unless they choose not to be. The employee may only choose to opt out after employment commences and within 3 months of starting. Any contributions already made would be refunded. Members wanting to opt out should complete the opting out form and send it to the Employer: [Opting Out](#)

In the case of an employee opting out initially, there is a box in the S1 form where you can indicate this. After the S1 is submitted to us, should an employee opt out of the Scheme, you will need to complete Form L1 and send it to the Fund: [Forms for employers](#)

When you receive notice from a member that they wish to opt out within 3 months of joining the scheme, you should stop collecting contributions from the next available payroll, and refund any contributions already collected through the next available payroll. In the case of a member opting out after more than 3 months, stop collecting contributions, but do not refund any contributions already collected. Please note that we also require details of National Insurance contributions.

Calculation of Benefits

Although LGPS is now a Career Average Revalued Earnings (CARE) Scheme, final pay is still used to calculate benefits. Final pay is normally the pay received in the last 12 months of employment. However, the Scheme rules allow pension benefits to be calculated on one of two different basis should they prove beneficial for the member:

- **'Best of the last 3 years' rule**
Employers should check to see if the full time equivalent pay for either of the two years immediately preceding the final one gives a higher figure. If either of these figures is higher, the highest figure should be used.
- **Average of 3 consecutive years from the last 13 years**
In the event of a reduction in pensionable pay made within 10 years of the date of retirement or leaving the Scheme employees can request for the annual average of the best three consecutive years of pensionable pay ending 31 March, within a period of 13 years, ending with the last day of Scheme membership to be used. This means if there was a reduction in basic pay on 1 April 2013 (after the 3 year pay protection) and the employee leaves the Scheme on or before 31 March 2023 (within 10 years), the calculation of the final pay would be based on the annual average of the best three consecutive years, within the last 13 years

of Scheme membership (ending 31 March). Full protection would last for 10 years from the date of the reduction in pay and end on 31 March 2023.

Employer Contributions

When a new employer joins the Fund, our Actuary, Hymans Robertson LLP produce a report outlining the employer contribution rate and Bond requirement. Employers pay the balance of the cost of providing pension benefits payable on retirement from the LGPS.

Every three years an independent review, known as a valuation, is undertaken to calculate how much employers should contribute to the Scheme. Employer contributions are expressed as percentage of members' pensionable pay. We will tell you the correct rate after each valuation and you will receive a copy of the actuary's valuation report. Employers should be aware that there may be a deficit calculation to be included.

The employer contribution amount is outlined in a Rates & Adjustment Certificate that forms part of the formal valuation of DPF. The date of the last valuation was 31 March 2016 with employer contribution rates being set for the period 1st April 2017 to 31st March 2020. The valuation is currently underway for the next three year period.

Employers must provide a schedule of member and employer contributions, including additional contributions, by the 19th day of each month following the deduction of contributions.

Invoicing

All costs, including financial reporting, actuarial advice/work, and underperformance charges are to be paid by the employer within 21 days of the date of the invoice being issued by DPF.

Monthly Contributions Remittance

This is the total members' and employer's pension contributions each month. You must pay the contributions over to us each month and complete the CR1 spreadsheet by the 19th of each month. Assumed Pensionable Pay (APP) data must be included in the monthly calculations in order to ensure that the year-end spreadsheet will be accurate. **If you change payroll provider, you must inform DPF of the details as soon as possible.**

Annual Contributions Returns

The Year End return spreadsheet must be completed and submitted to DPF by 19 April. DPF will send the blank spreadsheet and guidance notes each year. Please note that APP data must be included in the annual return. Prior to completing the Year End spreadsheet, please ensure that you read and follow the guidance notes which we attach to the document. **Late returns will delay the Year End processing for the whole pension fund. DPF is permitted by law to charge employers for any additional administration costs this causes.**

Employer Discretion Policy

Employers are required by law to formulate, publish and keep under review a policy in relation to the exercise of a number of discretions in accordance with the LGPS regulations. Employers can publish their policy by displaying it on staff notice boards or intranet site. DPF will also publish all employer discretions policies on our website.

You must publish your policy within one month of joining the scheme and notify DPF when you publish a new or revised version of your policy by sending us a copy of it. Your policy should show the basis on which the employer makes decisions on the various discretions. You can find more information here: [Employer discretions](#)

Dispute Procedure

Both the employer and the Fund are required to make decisions regarding pension entitlement. When you notify a member of a decision, you are required by law to inform them of the dispute procedure, the time limits and provide details of your adjudicator. If you receive a complaint from a member (or their representative) about a decision that you or DPF made under the LGPS, there is a legal dispute procedure to follow. Members can go to: [Feedback, complaints and appeals](#)

If a member needs help during any stage, The Pensions Advisory Service is a free and independent service that helps people to sort out pensions problems: [Pensions Advisory Service](#)

Communication

We will send newsletters to you regularly containing news and information that you will need about DPF, LGPS and other relevant notifications: [Newsletters](#)

You will find further information in the Employers section of our website: [Employers](#)

Please help us by keeping us informed of any changes that occur as soon as possible and ensure that all documents the Fund requires from you are completed and returned on time.

Employers should be aware of their responsibilities at all times, and ensure that accurate, clean data is provided to DPF, as well as accurate information being provided to employees. Mistakes can lead to costly administrative processes being repeated, and can also impact negatively on individual pension entitlements.

Our Communications Strategy is published in the Governance Section of our Website: [Communications Strategy 2018](#)

If you have any queries or require further information, please contact us at:

pensions.reqs@derbyshire.gov.uk

Or visit our website:

derbyshirepensionfund.org.uk