

LGPS Contributions



Local Government Pension Scheme

A Guide for Scheme Employers

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Introduction

This guide aims to answer any queries you may have about member and employer contributions within the Local Government Pension Scheme (LGPS) for Norfolk Pension Fund (NPF).

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For information on which forms to complete and how to notify us please see our Pension Handbook for Scheme Employers (G001).

You can print or download interactive Forms and Guides from our website:
<https://www.norfolkpensionfund.org/about/employers/>

Only Norfolk Pension Fund forms will be accepted.

These notes are based on our understanding of the current legislation and background information, including any guidance from the Ministry of Housing, Communities and Local Government (MHCLG) and the Local Government Association (LGA). However, nothing contained in them can override the LGPS legislation.

Member Contributions

All employees who are eligible for membership should be enrolled into the main section of the pension scheme on commencing employment or opting to join.

The employer is responsible for deciding which band applies to each member.

You should decide the contribution rate for each job an employee holds, by estimating the actual annual pay earned at the date of joining or on 1 April each year. We'll help you wherever possible, to ensure a consistent approach across the pension fund.

Possible ways to estimate actual annual pay:

1. The annual rate of contractual pay
2. The annual rate of contractual pay plus an estimation of the non-contractual overtime or hours worked in excess of the contractual hours which might be worked in a full year
3. The hourly contractual rate multiplied by an estimate of the number of hours to be worked in a full year
4. The weekly contractual rate multiplied by 52.143
5. The weekly contractual rate multiplied by 52.143 plus an estimate of other pensionable payments to be made in a full year

Employers must reassess the band for each member from 1 April each year and must notify members individually in writing every time their contribution band changes.

Standard Rate

During the financial year, members should pay the standard contribution rate shown below. For all members (part-time, whole-time or casual) this is based on the band appropriate to **actual pay**.

Contribution Bandings for 2024/2025

Band	Pensionable pay range	Main section contribution rate	50/50 section contribution rate
1	£0 to £17,600	5.50%	2.75%
2	£17,601 to £27,600	5.80%	2.90%
3	£27,601 to £44,900	6.50%	3.25%
4	£44,901 to £56,800	6.80%	3.40%
5	£56,801 to £79,700	8.50%	4.25%
6	£79,701 to £112,900	9.90%	4.95%
7	£112,901 to £133,100	10.50%	5.25%
8	£133,101 to £199,700	11.40%	5.70%
9	£199,701 or more	12.50%	6.25%

Members can opt to join the 50/50 section of the scheme in which case they will pay half the standard contribution rate. The Employer contribution rate stays the same and **does not** half.

Part-Timers/Term-timers/Casuals

The contribution band for part-time members is assessed on their actual pay.

Multiple Jobs

If a member has more than one job, the contribution band should be assessed separately for each post as it may be different in each. Each job should have a separate pension account.

Irregular Payments or Fees

Members with fluctuating payments (e.g., bonuses, enhanced hours) or whose pay is based on fees will be difficult to place in the correct band. However, the best possible estimate should be made to ensure fairness.

Annual Reviews

LGPS contribution bands are revised each April in line with inflation and we'll tell you about the changes each year.

Changing Bands Mid-Year

You may choose to move members onto a different band if their circumstances change during the year (e.g., on promotion or change of hours).

Note: Any reductions in pensionable pay due to sickness, child related leave, reserve forces service leave are to be disregarded when assessing / reviewing the appropriate band and contribution rate.

It is good practice for you to include something in your Pension Policy Statement stating what you will do about changing bands mid-year.

If you are moving a member onto a different band, please record this change on your i-Connect return/file submission.

For further guidance please see our **Employer Guide to i-Connect File Uploads (G052)** or **Employer Guide to i-Connect Online Returns (G053)**.

50/50 Section

From April 2014 the LGPS has contained 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 of the contributions to receive half the pension benefits. They can switch between the main section and the 50/50 section of the scheme as many times as they wish.

In order to switch sections a member must complete our form **Option to Switch Between Sections of the Scheme (SR106)**. The form is available on our website and must be returned to you to action the request. Once the payroll adjustments have been made on the next available payroll, please send the form on to us.

Members must always be brought into the main scheme on joining or electing to join. A member cannot elect to join the 50/50 section of the scheme prior to becoming a member of the main section of the scheme. They could elect on or after starting and, if they do so before the first payroll is closed, can be brought into the 50/50 section from the first day of joining the scheme.

Elections can be made for one, a selection or all jobs held by the member. They can be in the main section in one job and in the 50/50 section in another job. All jobs to be switched between sections must be nominated on the election form.

Refer to our **Pension Handbook for Scheme Employers (G001)** for further guidance.

Automatic Re-enrolment into the Main Section

A member who goes onto no pay due to sickness or injury, and is in the 50/50 section of the scheme, must be moved back to the main section from the beginning of the next pay period if they are still on nil pay due to sickness.

A member who goes onto no pay during a period of child related leave, and is in the 50/50 section of the scheme, must be moved back to the main section from the beginning of the next pay period if they are still on nil pay.

A member who is in the 50/50 section must be brought back into the main section on your automatic enrolment anniversary date. You will need to tell members when this will happen.

In all cases the member will then remain in the main section unless and until they make another election to return to the 50/50 section.

Additional Pension Contributions

Any ongoing APC, which is at whole cost to the member, must cease from the date of joining the 50/50 section. The only exception is for APC's paid for a period of industrial action.

Records

The dates a member joined and ceased membership of a section must be held per job. Separate cumulative amounts for pensionable pay and member contributions should be maintained for each section.

Member Opting Out

Membership of the LGPS is not compulsory. However, all eligible employees must be treated as members unless they opt in writing on our form **Notice to Opt Out of Pension Saving (SR97)** not to be. Members wanting to opt out should visit Norfolk Pension Fund website for the form and return it completed to you.

A member who opts out can opt back in at any time and there is no limit on the number of times a member can opt out of and into the scheme.

However, where a member is entitled to a deferred benefit on or after 11th April 2015 because of opting out and they subsequently re-join the LGPS, automatic aggregation is disallowed, and they must keep the pension accounts separate.

Under 3 months membership

If a member completes and returns an SR97 to you within three months of joining the scheme, you will need to refund their pension contributions for this post in the next available payroll. The member will be treated as never having been a member of the scheme. Refer to our **Pension Handbook for Scheme Employers (G001)** for further guidance.

3 months membership or more

A member who opts out after having been a member for 3 months should not have their contributions refunded through payroll. They may be entitled to a refund, but we will inform them if they are. To calculate a refund or any accrued pension benefits we will need you to complete a **Member Leaving Scheme (L45)** form.

Whether a member opts out within 3 months or not, their option form should be sent to us with an **Employer Notification of Employee Opting Out (SR88)** form. This confirms you have carried out the necessary actions and covers us both in the event of dispute proceedings.

Elections can be made for one, a selection or all jobs held by the member. They can be in the scheme in one job and not in the scheme in another job. Employees can nominate all posts to opt out from on their SR97, however we require a separate employer SR88 and L45 (if applicable) from each post. Refer to our **Pension Handbook for Scheme Employers (G001)** for further guidance.

Automatic Re-enrolment

At your automatic enrolment anniversary date any members who have opted out of the scheme should be brought back in and placed in the main section. You will need to tell members when this will happen. They can make an election to opt out again.

Additional Pension Contributions

Any additional pension contributions must cease when a member opts out of the scheme and they will be credited with the proportion paid for.

Employer Contributions

Normal Employer Contributions

Employer contributions are expressed as a percentage of members' pensionable pay.

The employer's contribution rate is assessed every three years following an actuarial valuation of the Norfolk Pension Fund.

We'll tell you the correct rate to use after each valuation.

You'll get a copy of the actuary's valuation report, which also shows it.

Any contribution rate change takes effect from 1 April in the following year. In exceptional circumstances, if the actuary considers it advisable, the rate may be amended before the next valuation. We'd tell you if this happened.

Deficit Payments

Following the 2010 Valuation existing employers may also be requested to pay a cash sum each month in addition to the standard percentage. This is known as the "Secondary Amount (Deficit)".

Please contact pensions.finance@norfolk.gov.uk for questions regarding employer contributions and deficit payments.

Additional Employer Contributions – Early Retirements

If you retired a member early on redundancy or business efficiency grounds or let them draw their benefits on flexible retirement, it's likely it would place an additional 'strain' on the pension fund. Any 'strain costs' have to be paid by the employer and we'd invoice you for them on an individual basis.

You should ask us for cost details before agreeing to any such retirement.

Additional Contributions

Additional Contributions and AVCs

Additional contributions (ARCs, APCs etc) or AVCs should be collected in addition to the standard rate.

APC – paying for unpaid leave, buying extra pension

Scheme members may buy extra pension using Additional Pension Contributions (APCs):

- **To buy extra pension.** An employee can make additional regular contributions to buy a set amount of additional pension.
- **To buy lost pension for unpaid leave of absence.** An employee elects to pay an APC to purchase any, or all, of the lost amount of pension. If the option is made within 30 days of returning to work, it becomes a Shared Cost APC (SCAPC) and you will have to meet 2/3rds of the cost.
- **To buy lost pension for strike.** An employee who takes strike action may choose to buy extra pension to replace the amount lost.
- **Salary Sacrifice to purchase additional annual leave.** Where an employee forgoes remuneration in return for additional days of holiday this is, in effect, authorised unpaid leave of absence.

Members in the 50/50 section of the scheme may not make standard election to buy **extra** pension.

Process for scheme member wanting to buy additional pension

- Member requests quotation from Norfolk Pension Fund.
- Norfolk Pension Fund informs you if member wants to start APC

Process for scheme member wanting to buy 'lost' pension

Form **Option to Pay Voluntary Contributions in Respect of Family Leave or Unpaid Leave (SR108)** issued to member by you (or from Norfolk Pension Fund website)

- Member fills in the form and sends to you
- You fill in details of 'lost' pension and forward forms to us.
- We provide a quotation to the member (and you if shared-cost)
- Member returns Option Form to us and we will advise you re deductions

Process for Employer wanting to buy additional pension for member

- You contact us for a quotation

We will advise you if APCs are to be deducted from pay – **do not** accept instructions directly from scheme members.

AVC's – Additional Voluntary Contributions

Prudential and Clerical Medical provide our AVC schemes. We would let you know if a member opted to pay AVC's and tell you how/where to make payment. You don't need to record AVC payments on your SR71 but you will need to record them on your i-Connect submission.

Please refer to our **Employer Guide to i-Connect File Uploads (G052)** or **Employer Guide to i-Connect Online Returns (G053)** for further guidance.

Periods of Employee Reduced or Nil Pay

Members should pay contributions on any actual pay received whilst on reduced pay. Employers pay contributions on the value of Assumed Pensionable Pay (APP). Pay to be reported (for calculation of pension) is APP rather than actual pay received.

For guidance on calculating APP please see our **Pensionable Pay Guide (G010)**.

APC's when on nil or reduced pay – if the APC/SCAPC is not ceased by the member, any employer costs are still payable during a period of reduced pay or authorised unpaid leave. Employee contributions should be collected for as long as they are available. Any employee contributions unable to be taken should roll over as a debt to be collected from pay upon return to work, or, by direct payment to us or deduction from pension benefits when paid.

It should be noted during any period of:

- sickness or injury on reduced contractual pay or no pay, or
- child related leave (ordinary maternity, adoption or paternity leave, plus paid additional maternity, paternity or adoption leave, plus unpaid additional maternity, paternity or adoption leave), or
- absence due to strike, or
- reserve forces service leave, or
- any other period of authorised leave of absence

any pre-existing APC / SCAPC contracts started after 31st March 2014 remain payable (unless the member elects to end the contract) with the exception being during a period of sickness or injury on no pay, the employee contributions to an APC / SCAPC are deemed to have been paid.

Postal Address Only:

Norfolk Pension Fund

County Hall

Martineau Lane

NORWICH

NR1 2DH

www.norfolkpensionfund.org

Pensions Administration

Telephone: 01603 495923

Email: pensions@norfolk.gov.uk

Online, Technical, and i-Connect Queries

Telephone: 01603 222132

Email: pensions.technical@norfolk.gov.uk

If you would like this guide in large print, audio, Braille, alternative format or in a different language, please email pensions@norfolk.gov.uk or call 01603 222824