

WARWICKSHIRE

pension fund

Employers Newsletter: June 2022

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Shared Cost Additional Voluntary Contributions

As an employer that offers the LGPS, you will know that employees who are members of the Scheme, can build up increased pension benefits for retirement by paying Additional Voluntary Contributions (AVCs). This is by way of a tax- free deduction through payroll, which are then paid as a separate pension pot from the AVC provider.

The LGPS regulations also allow an employer to contribute to an employee's AVC arrangement. This is known as a 'Shared Cost' AVC which can be provided through a salary sacrifice arrangement.

We have been made aware that nationally employers are being approached by companies about setting up such arrangements.

If you choose to offer your staff a Shared Cost AVC, those members who join will accept a reduction in their salary, otherwise known as a salary sacrifice. You as the employer, will agree to contribute the salary sacrificed amount as your contribution into the Shared Cost AVC and your employee will also contribute a set amount per month as their contribution.

Your organisation could ultimately make National Insurance savings as a result.

It is, however, very important that you discuss the full implications with the Fund, before you agree to taking up such an arrangement as you will need to ensure that pension policies and possibly contracts of employment are altered to reflect the agreement.

The Local Government Association has provided guidance on Shared Cost AVCs.

[Salary sacrifice AVCs and the LGPS \(E&W\) \(lqpslibrary.org\)](http://lqpslibrary.org)

Pension Policies and Discretions Training for Employers

All employers will be aware that they have a legal requirement under the Local Government Pension Scheme (LGPS) regulations to prepare and publish their employer's pension discretions.

We are aware that some employers have not published their pension discretionary policy.

To assist our employers to formulate and publish their policies we will be arranging some training sessions that will be held later in the year. Two dates will be available for you to choose from, and these will be advertised in this newsletter as soon as they have been finalised.

Government restricts councils' special severance payments

The government has published statutory guidance seeking to restrict the level of exit payments made to local government employees above statutory or contractual limits.

The guidance published forms part of councils' best value duty, and states that authorities should only consider exit payments above contractually agreed limits in exceptional circumstances.

These circumstances include where contractual entitlements are "insufficient to facilitate an exit or to offer sufficient compensation for loss of employment", or to settle employment disputes after receiving legal advice.,

Although **Local Government Pension Scheme** strain costs on early retirement are excluded from the new regulations, voluntary payments to offset reductions in future benefits could be judged as special severance payments,

The guidance confirms that:

- strain cost related to the early payment of LGPS benefits under regulation 30(6) or (7) (flexible retirement, redundancy or efficiency retirement over age 55) **does not** constitute a special severance payment
- strain cost of awarding additional pension under regulation 31 of the LGPS Regulations 2013 **may** constitute a special severance payment, depending on the terms of the individual's contract
- strain cost related to waiving an actuarial reduction when a member retires under regulation 30(5) **may** constitute a special severance payment, depending on the terms of the individual's contract.

Please follow this link for the Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England:

https://lgpslibrary.org/assets/cons/lgpsew/20210702_SG.pdf

New versions of LGA guides have been published

The LGA have published 2022 versions of a number of scheme guides. We would recommend that you take some time to review the new HR guide version 4.3 (also available on the [Employer guides and documents](#) page of www.lgpsregs.org)

LGA Employer Training

The LGA are offering Employer role training (England and Wales) on the following dates, we also recommend that you book onto one of the following events

[28 June 2022 – online](#)

[5 July 2022 – Cardiff](#)

[19 July 2022 – online](#)

[6 September 2022 – London](#)

[13 September 2022 – Leeds](#)

[15 September 2022 – Birmingham](#)

Employer Responsibilities and Outstanding work

As you are aware providing pension information to enable the calculation of benefits is the responsibility of the employer and should make up part of your monthly practices. This is set out within the Pension Administration Strategy.

Each month the Team spend time emailing employers with details of outstanding cases. We are pleased to say that most employers provide the data we require on time, however there

are still a number of outstanding cases which in turn means there are a number of members are not receiving their information in a timely manner.

Please assist the Team and your employees, by getting the relevant data to us as soon as is practically possible.

Annual General Meeting

We are currently in the process of organising our Annual General Meeting, the exact date will be confirmed, shortly but will be in November.

The meeting will include presentations from Hymans Robertson about the valuation and Border to Coast, in relation to the Fund's investments.

We will be sending out further information in due course. Including confirmation of who should attend from your organisation.

Why not join our new Employer Focus Peer Group?

As a new addition to the Fund's governance arrangements, Warwickshire Pension Fund are planning to create an Employer Focus Peer Group.

This is a group of employer representatives who will meet on a quarterly basis and discuss new developments and changes to the scheme processes and policies. We hope the group will provide valuable feedback to help shape the fund's services.

We are looking for representatives from HR, Payroll or Finance that deal on a regular basis with LGPS issues. We would also like representatives from a variety of different employers, Councils of all sizes, Police, Fire, Schools, Academies and Colleges.

We would like the group to consist of about 15 representatives from a cross section of the Fund's scheme employers.

If you are interested in joining the group, please contact the pension team by e-mailing Martin Griffiths (martingriffiths@warwickshire.gov.uk)

TUPE and Admitted Bodies

If you are outsourcing services and have a number of staff who will be subject to Transfer of Undertakings (Protection of Employment) regulations (TUPE), you will need to consider obligations regarding the affected employees' pension rights. We recommend that before any discussions commence you speak directly to the Pension Team.

This will also apply to any schools moving away from the local authority and converting to an academy and/or joining a Multi-academy trust (MAT) or moving to another MAT.

Academies moving to another Multi-academy trust (MAT) – any MAT who takes on the liability of an employer means that they inherit all liability for past and present members which means that the new MAT will be responsible for all pension queries relating to that academy old and new. We recommend that you obtain the historical payroll information from the academy so that you can continue to fulfil your responsibilities as a Scheme employer. If a preserved member wants their pension early on ill health grounds, it would be the new MAT's responsibility to follow the process to see if the member meets the requirements.

Please contact the Pensions Team via the Pensions@warwickshire.gov.uk address to discuss how to process information via I-connect for employees that are affected by TUPE.

We will use this information to inform the actuary, who will then produce a new employer report detailing the employer contribution rate and associated bond figure. In line with good practice the report will show the new employer starting 100% funded.

We recommend this report is obtained prior to a procurement exercise to ensure all parties are aware of the costs involved when becoming an LGPS admitted body.

We will use information within the report when we produce the associated admission agreement documents.

Recap on your responsibilities relating to members joining and opting out of the pension scheme

For employments starting on and after 1 April 2014

New starters in the scheme

At the start of employment new employees, who are eligible for membership of the Scheme and who have a contract of employment of 3 months or more, should be made members of the main section of the LGPS 2014.

Employees with a contract of less than 3 months may choose to join the LGPS, and they must complete and send to their employer the Opt-In Form for action at the next available pay period.

On or before the appointment – or after receiving an election to join - the employer should

- introduce the LGPS to the member,
- notify the member of the contribution rate,
- advise when and under what circumstances that rate might change
- inform the member who to contact in the event of a dispute about that rate,
- tell members where they can find out more information about the scheme, and
- direct them to where they can find a copy of that employer's pension policy statement.
- Advise Warwickshire Pension Fund about the new member by inputting the member details on your i-Connect submission

Opting Out

The LGPS is not a compulsory scheme. A member may choose to leave at any time, however, an 'opt-out' election form may not be completed before the start of employment.

Where the member has more than one employment, the opt-out election must specify to which employment it will apply.

When you receive the completed 'opt-out' form, correctly signed and dated in all cases,

- take the appropriate payroll action
- record the action you have taken in the space provided on the form and
- **send the original form to Pension Services at Warwickshire Pension Fund.**
- No further employee or employer contributions will be due

If the member has been in LGPS for less than 3 months, refund member contributions through the payroll. Employer contributions return to the employer.

If the member has been in LGPS for at least three months and stopped paying contributions, please ensure the leaver details are input on your i-Connect submission to notify the Pension Fund.