



**Local Government Pension Scheme
(LGPS)**



Employers' Newsletter

February 2012

Introduction

Welcome to the **February 2012 Newsletter** for employers within the Local Government Pension Scheme (LGPS) in East Sussex. As we approach the end of the financial year 31 March 2011 there are a number of points in relation to the LGPS that employers should be made aware of. This newsletter outlines these as well as some other items of interest that may be of value.

Items covered in this issue

- Pensions increase
- Contribution bandings for 2012
- Auto enrolment
- Pensions reform
- Year end returns
- Annual Allowance
- Lifetime Allowance

April 2012 Pension Increase

The Office for National Statistics has announced that the rise in CPI for the year to September 2011 was 5.2%.

The pension increase applicable to public service pensions' has been confirmed as 5.2%. This will be applied from 9 April 2012.

Active Member Contribution Bandings for 2012

The 5.2% pension increase is also applied to the salary bandings, determining the appropriate contribution rate to be paid by scheme members will change from 1 April 2012. Government have confirmed that the revised contribution bandings from 1 April 2012 are as follows;

Band	Range (Full-time equivalent pay)	Contribution Rate
1	£0- £13,500	5.5%
2	£13,501 - £15,800	5.8%
3	£15,801 - £20,400	5.9%
4	£20,401 - £34,000	6.5%
5	£34,001 - £45,500	6.8%
6	£45,501 - £85,300	7.2%
7	More than £85,300	7.5%

Auto-enrolment

New requirements come into force from October 2012 requiring all eligible employees to be entered into a qualifying pension scheme. Employers must enrol all existing eligible employees not already in a qualifying pension scheme from their “Staging Date”. This Staging date is determined by the number of employees on your PAYE payroll. The Pensions Regulator will give you advance notice of your Staging Date. Details of Staging Dates were included in the Employers Forum information pack. The Government announced the deferral of Staging Dates for employers with less than 250 employees on their payroll. Revised dates are available at <http://www.dwp.gov.uk/newsroom/press-releases/2012/jan-2012/dwp010-12.shtml>

The LGPS will be a qualifying scheme, subject to proposed changes to the LGPS regulations in respect of opt-out provisions.

Employers will need to review their HR and payroll systems to ensure that they are able to identify any “qualifying jobholders” for the initial Staging Date enrolment. Your HR and payroll systems and processes will need to record appropriate dates and decisions to recognise that:

- All new “qualifying jobholders” will have to go through the auto-enrolment process when they first qualify;
- Auto-enrolment needs to be revisited every 3 years, with all “qualifying jobholders” not already in a registered pension scheme having to be re-enrolled.

The LGPS will be a qualifying scheme. The Local Government Employers Association (LGE) advise that the LGPS must be used by Scheduled Bodies to meet their Employer Duties for auto-enrolment. Admitted Bodies open to new members can elect to use the LGPS to meet their Employer Duties. Other Admitted Bodies will need to identify an alternative scheme to be its qualifying pension scheme.

Further details on auto-enrolment were included in the Employers Forum information pack. If you need further guidance on auto-enrolment please contact Craig Geering.

Review of Public Sector Pensions

The review of Public Sector Pensions is ongoing, with discussions between Employers, Unions and Government on the proposals, and wider consultations with interested parties. Heads of Agreement have been agreed between the parties, which provide for:

- A “single step” solution linking both contribution increases and benefit changes in response to Hutton proposals rather than making separate changes to address these;
- Employee choice;
- Retirement Age linked to State Pension Age;
- Pensionable Salary based on Career Average Revalued Earnings (CARE) rather than Final Salary;

We will keep you posted on developments.

Strike Absences

If any of your employees in the Fund have been absent due to the recent strike this break is non-pensionable. You should notify Serco Pensions of all employees who were absent. The members can elect to have the break treated as pensionable. To do so they must make an election and pay a special 16% contribution based on the missed pay for the break.

Serco Note on Information required from Employers

Serco have produced a note on information required from employers – see attached. This covers 3 areas:

- Basic membership information;
- Special arrangements;
- Year-end contribution return

Please note that the timely production of Annual Benefit Statements is dependent on the prompt provision of the year end information. Please let Serco Pensions have the return no later than 18 May 2012. If you have any difficulties in producing the information please let Serco Pensions know as soon as possible.

Annual Allowance

The annual allowance for pension saving reduced to £50,000 (previously £255,000) from 6 April 2011, with DB accrual valued using a factor of 16 for 1/80ths accrual & 20 for 1/60ths accrual. Tax charges on any growth in excess of the annual allowance are treated as income and charged at the person’s marginal rate. There is a facility to carry forward unused allowance for up to 3 previous years (possibly offsetting tax charges that might otherwise apply for many – moderate earners especially).

Lifetime Allowance - Fixed Protection elections

The lifetime allowance reduces to £1.5 million from £1.8 million from 1 April 2012. The capitalisation factor remains at 20. Individuals who think they may be greater than the revised lifetime allowance can make an election to HMRC for "Fixed Protection" no later than 5 April 2012. The HMRC forms and explanatory notes are available on the HMRC website:

<http://www.hmrc.gov.uk/pensionschemes/apss227.pdf>

<http://www.hmrc.gov.uk/pensionschemes/apss227-notes.pdf>