

**Local Government  
Pension Scheme**

# **Administrative Procedures for Employing Authorities**



London Pensions Fund Authority  
Dexter House, 2 Royal Mint Court, London EC3N 4LP  
Revised August 2005



## CONTENTS

1. **Introduction**
  - 1.1 General
  - 1.2 The Regulations
  - 1.3 Employer Discretions
  - 1.4 Your responsibilities
2. **Definitions**
3. **Eligibility for Admission to the Scheme**
  - 3.1 General
  - 3.2 Excluded employees
  - 3.3 Employees over age 65
  - 3.4 Employees who have previously opted-out
  - 3.5 Employees with more than one contract of employment
  - 3.6 Continuing eligibility
4. **Admission Procedure**
  - 4.1 "The Choice The Guide"
  - 4.2 New employees
  - 4.3 Existing employees
  - 4.4 Membership
  - 4.5 Date of birth
  - 4.6 Contributions
  - 4.7 Back-dating entry
  - 4.8 Previous pension rights
  - 4.9 Confirmation of admission to the Pension Scheme
  - 4.10 Added years - Cost borne by employer
  - 4.11 Added benefits - Purchase by employee
5. **Changes During Employment Requiring Action**
  - 5.1 General
  - 5.2 Whole-time to part-time or change in hours/weeks
  - 5.3 Part-time employee changing contractual hours
  - 5.4 Reduction in pay because of sickness or injury
  - 5.5 Unpaid leave and leave on reduced pay
  - 5.6 Maternity, Paternity and Adoption Absence
  - 5.7 Jury service
  - 5.8 Trade disputes
  - 5.9 Absence without permission
  - 5.10 Reduction of pay following a material change in circumstances
  - 5.11 Reduction of pay due to Local Government Reorganisation
  - 5.12 Other changes in circumstances

- 6.       **Resignations, Dismissals and Optants-Out**
  - 6.1       General
  - 6.2       Voluntary resignation
  - 6.3       Dismissals
  - 6.4       Optants-out
- 7.       **Death of an Active member**
  - 7.1       Death of an *active member*
  - 7.2       Nomination by *active member* of beneficiary of death grant
- 8.       **Retirements**
  - 8.1       Entitlement to benefits
  - 8.2       Age 65
  - 8.3       Employee who is permanently unfit
  - 8.4(A)   Redundancy or early retirement
  - 8.4(B)   Power of employing authority to increase total membership of members
  - 8.5       Notification of a retirement
  - 8.6       Variations of advance notification
  - 8.7       Informing employee of final pay
- 9.       **Pensionable Pay**
  - 9.1       Remuneration on which contributions are payable
  - 9.2       Final Pay
  - 9.3       Earnings cap
- 10.      **Accounts and Returns**
  - 10.1      General
  - 10.2      Employer's contributions
  - 10.3      Payment of contributions
  - 10.3A     Additional Voluntary Contributions (AVCs)
  - 10.4      Interest for late payments
  - 10.5      Annual return of contributions
  - 10.6      Administration charges
- 11.      **Other Matters**
  - 11.1      Annual Benefit Statements
  - 11.2      Estimates of benefits
  - 11.3      Social Security Act
  - 11.4      Supply of forms and booklets
  - 11.5      Change in employer's name and/or address
  - 11.6      Complaints Procedure/Employee's right of appeal
  - 11.7      Charters

## **APPENDICES**

- 1 Contact list for employers
- 2 Power of employing authority to increase membership
- 3 Compensation for premature retirement
- 4 Remuneration and the provision of, or payment in lieu of, cars
- 5 Notes on the completion of contribution return form (LG/99)
- 6 Booklets and forms in use
- 7 LPFA Complaints Procedure and DTLR appeals procedure
- 8 April 2004 update for employers on LPFA discretionary policy statements

## 1. INTRODUCTION

### 1.1. General

This guide has been prepared for employers whose employees are eligible to contribute to the Local Government Pension Scheme, administered by the London Pensions Fund Authority (LPFA). Please ensure that all staff who will be dealing with these matters have access to it. Further copies are available on request and we would welcome any comments or suggestions you may have regarding it.

The guide deals with the practical administrative tasks which are necessary to ensure that proper records of your employees are kept so that the right contributions are paid and that when they leave your employment, they receive the benefits to which they are entitled.

From time to time you will be issued with updated procedures which you should implement as requested.

### 1.2. The Regulations

The Local Government Pension Scheme is contained in the Local Government Pension Scheme Regulations 1997 (Statutory Instrument No. 1997/1612) copies of relevant Acts or Statutory Instruments may be purchased from the Stationary Office at [www.thestationaryoffice.com](http://www.thestationaryoffice.com) , viewed at the HMSO website at [www.hmso.gov.uk](http://www.hmso.gov.uk) or inspected at the LPFA.

Since these regulations came into effect at 1/4/98 a variety of additional and amending legislation has come into force and some scheme members may have retained rights under earlier legislation.

**Anyone wishing to check the current provisions of the regulations will need to refer to an updated version of the regulations showing all the amendments made to date.**

A version of the regulations including amendments to date is available at:

[www.lg-employers.gov.uk/pensions/timeline.html](http://www.lg-employers.gov.uk/pensions/timeline.html)

Social Security, tax and other related legislation may in certain circumstances override the provisions of the Pension Regulations. Again, copies of relevant Acts or Statutory Instruments may be purchased from the Stationary Office, viewed at the HMSO website or inspected at the LPFA.

However, this guide which outlines the employer's responsibilities, together with the "The Choice. The Guide" the guide for LPFA scheme members - should be adequate for the needs of most employers. Staff will be pleased to help by letter or telephone with any points that may arise. Appendix 1 to this guide includes a contact list that you may find helpful.

*Nothing in this guide can override the provisions of the Pension Regulations, or related legislation. The guide was up-to-date at the time of publication in August 2005. It is for general use and cannot cover every personal circumstance nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over a member's pension benefits, the appropriate legislation will prevail as this guide does not confer any contractual or statutory rights and is provided for information purposes only. London Pensions Fund Authority will not be held responsible for any loss, damage or inconvenience caused as a result of any inaccuracy or error.*

### 1.3. Local Government Pension Scheme 1997 - Employer Discretions

The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 and the Local Government Pension Scheme Regulations 1997, became effective from 1<sup>st</sup> April 1998 and replaced the provisions of the existing legislation. They contain several discretionary provisions that apply to you as an employing authority. You should formulate policies regarding the exercise of these discretions and subsequently keep them under review.

The Regulations require you to issue a Policy Statement for certain of these discretions, which you must send to the LPFA as your *administering authority*.

The ministry concerned with local government affairs has issued a reminder that all employing authorities have a responsibility to act with prudence and propriety when considering the exercise of discretions.

Effective use of these discretions will be of benefit to your staff who are pension scheme members, but you should be aware of the following points:

If you establish blanket policies this may lead to significant extra liabilities on the Pension Fund, which would ultimately be borne by yourself as the employing authority in the form of increased employer's contributions. The Actuary will refer to your Policy Statement together with your predicted level of use, when assessing your contribution rate at each valuation of the Fund. The LPFA will be responsible for monitoring your actual use of each discretion and where you exceed the predicted use, will instruct the Actuary to review your contribution rate before the next valuation.

- 9 If you choose selective use it is important to have in place a clear policy on when they will be used, to avoid claims of discrimination and complaints under the Internal Disputes Resolution Procedure. As a guide you may find it helpful to refer to the decisions taken by the LPFA and these have been included. Appendix 8 is the April 2004 update for employers on LPFA discretionary policy statements

### 1.4 **Your Responsibilities**

It is important that you follow the procedures in this guide closely. Any under collection of contributions, errors in reporting periods of membership or calculations of benefits prompted by your failure to do so could lead to significant additional costs falling onto you through increases to your ongoing employer's contributions.

From time to time details of regulation amendments etc. and other notifications will be sent to you for onward transmission to your employees. It has been established, through court cases, that employers are liable for any loss in employee benefit expectation caused by the failure to pass on relevant information.

Please remember that the LPFA can only provide quality services to you and your employees if you provide prompt and complete information.

## 2. DEFINITIONS

2.1. Throughout this guide, certain words or phrases have specific meanings within the Pension Regulations. Wherever these occur they are shown in *italics*, and the meanings are given below:

Active Member	Means a person who is in pensionable service under the scheme.
Administering authority	A body required to maintain a pension fund under the Local Government Pension Scheme Regulations (e.g. the LPFA).
Admission Body	A body that has entered into an admission agreement with the LPFA for some or all of their employees to participate in the Local Government Pension Scheme. Either a 'community admission body' - a non profit making company or organisation, which provides a public service. Or a 'transferee admission body' which is a body that provides services in connection with the exercise of a function of a <i>Scheme employer</i> as a result of the transfer of the service by means of a contract or relevant Act.
Deferred member	Means a person (other than an <i>active</i> or <i>pensioner member</i> ) who has accrued rights under the scheme. membership Employing Authority A body whose employees are eligible for scheme
Final Pay	The figure used to calculate benefits, as described in paragraph 9.2
Guaranteed Minimum Pension (GMP)	The minimum pension which the LPFA must provide at State retirement age as one of the conditions of contracting out of the State Earnings Related Pension Scheme (SERPS).
Manual worker	Means an employee whose duties are not mainly administrative, professional, technical or clerical.
Lower rate rights	Apply to a continuously employed worker who immediately before 1/4/98 was entitled to contribute to the scheme at the rate of 5% by reason of being a <i>manual worker</i> . See paragraph 4.6.
Officer	An employee whose duties are wholly or mainly administrative, professional, technical or clerical.
Part-time employee	An employee whose contract of employment provides that he is such an employee or who is neither a whole-time employee nor a variable-time employee.
Pay	The remuneration against which an <i>active member's</i> contributions are deducted and employer's contributions are calculated. It is described in paragraph 9.1
Pensioner member	Means a person who in respect of his pensionable service under the scheme or by reason of transfer credits, is entitled to the present

Pensionable service	<p>payment of pension or other benefits.</p> <p>Means service in any description or category of employment to which the scheme relates which qualifies the member for pension or other benefits under the scheme.</p>
Scheme Employer	<p>A Local Authority or similar body whose employees are entitled automatically to be members of the LPFA Fund. 'Resolution bodies' such as Transport for London or the London Development Agency are also <i>scheme employers</i> as are further and higher education corporations.</p>
Scheme member	<p>Means any <i>active, deferred or pensioner member</i>.</p>
Variable-time Employee	<p>An employee whose contract of employment provides that he is such an employee for the Scheme and whose pay is calculated by reference to his duties rather than by hours worked or whose duties are only have to be performed on an occasional basis</p>
Whole-timeEmployee	<p>An employee whose contract of employment provides that he is such a member for the Scheme, or whose contractual hours are not less than the number of contractual hours for a person in that employment on a whole-time basis.</p>

2.2. Generally "he" and "his" are used throughout to make the guide easier to read, but should be read to include "she" and "her" also.

### 3. ELIGIBILITY FOR ADMISSION TO THE SCHEME

#### 3.1. General

Normally, any employee under age 65 is eligible to join the Scheme, unless specifically excluded as described in paragraph 3.2.

All employees of a *scheme employer* must automatically become members of the Scheme unless they are employed on a casual basis when they must be given the opportunity to join the Scheme. However, employees may opt-out, and if they do so within the first three months of employment they are treated as if they had never been in the Scheme and you should refund their contributions to them. (See paragraph 6.4 regarding opting-out after three months.)

All employees of an *admission body* may be admitted to the Scheme automatically, with the exception of casual employees, who may be given the opportunity to join (and all may be allowed to opt-out if they wish). Alternatively all or some groups of employees may be given an option to join. It is for the *admission body* to make their own policy, but the LPFA will give further advice if needed.

*Variable-time employees* may be admitted to the Scheme in certain circumstances and advice should be sought from the LPFA if such a person is employed.

The Regulations adopt a "fit for work, fit to join the Scheme" approach and there is no provision for medicals to be requested.

#### 3.2. Excluded Employees

Employees that are specifically excluded are:

- a) Employees entitled to join the Teachers, Fire or Police Schemes.
- b) Employees over the age of 65
- c) Certain employees who have previously opted-out or chosen not to join.

Exclusions b) and c) are dealt with in greater detail in the following paragraphs.

#### 3.3. Employees over Age 65

A new employee who is over age 65 may not normally become an *active member*.

**3.4. Employees Who Have Previously Opted-Out**

A person who has opted out more than once may only reapply again if his employer or future employer consents; or he is beginning a new employment with a new employing authority and he reapplies before he has been employed for three months.

**3.5. Employees with More than One Contract of Employment**

Where a person holds separate employments under one Scheme employer, the Regulations apply as if each of them were with a different employer. Each employment in respect of which an employee is an *active member* must therefore be treated separately for all scheme and administrative purposes.

**3.6. Continuing Eligibility**

An employee who has joined the Scheme will remain a member whilst in your employment unless he chooses to opt out of it.

#### 4. **ADMISSION PROCEDURE**

##### 4.1. **"The Choice. The Guide"**

An outline of the Local Government Pension Scheme and the alternatives available are contained in the booklet "The Choice. The Guide. A Guide to the Local Government Pension Scheme and How to Join It". The booklet "A Charter for our Customers" contains a summary of the services and standards *active members* can expect to receive from the LPFA. The form LG/1 should be completed by all employees entitled to join the Scheme and forwarded to the LPFA, once you have completed Part C, whether the employee has elected to join the Scheme or not.

These booklets and form apply both to new employees and to existing employees who now wish to join the Scheme.

##### 4.2. **New Employees**

When offering an employment to a person, if you are a *scheme employer* please ensure that a copy of "The Choice. The Guide" is issued at the same time. If you are an *admission body* "The Choice. the Guide" should only be given to those employees, whom you intend to admit to the Scheme. This will ensure that any option the employee may wish to make is taken into account when making the first payment of salary/wages. It should be borne in mind that all employees of a *scheme employer*, except for casual employees, must be brought into the Scheme immediately, even if form LG/1 has not been completed, unless a positive election not to be admitted has been received in writing. You should retain the employee's written election on your personnel file in case of future disputes and forward a copy to the LPFA.

##### 4.3. **Existing Employees**

Any existing employee who is not a member of the Scheme but subsequently asks to join should also be given "The Choice. The Guide" together with form LG/1.

##### 4.4. **Membership**

This will only be recorded when we receive form LG/1 at the LPFA. Please ensure that it is clearly and neatly written, as it becomes the basis upon which the individual's entitlements are determined. When completing the form it may help you to refer to the previous section on eligibility for admission to the Scheme.

If you have doubts as to whether an employee may be eligible, you may either complete and send form LG/1 and leave the LPFA to decide whether he is eligible (this is usually the best way - if he is not eligible we will send both him and you a formal notification giving the reason) or you may telephone the LPFA with your query.

It is important that the LPFA receive a form LG/1 within one month of the day from which an employee's contributions commence. If for some reason the full details cannot immediately be completed a form clearly marked ADVANCE COPY at the top should be sent within one month giving as much information as is available followed by a fully completed LG/1 as soon as possible.

4.5. **Date Of Birth**

An employee's date of birth must be verified and a photocopy of the birth certificate should be attached to the LG/1.

If this would delay the submission of the form, the form should be marked BIRTH CERTIFICATE TO FOLLOW and a photo-copy of the birth certificate should be sent as soon as possible afterwards. If there is any difficulty in obtaining a birth certificate a note of the position should be attached to the LG/1. Individuals should be advised that no payments can be made from the Fund until their date of birth is verified. Unless verification is supplied, a delay in their future receipt of benefits will occur.

4.6. **Contributions**

Where the employee is an *active member* you must initiate appropriate deductions within your payroll system.

The normal rate is 6% of *pay* for all employees who join the scheme after 31<sup>st</sup> March 1998. Employees, who were *manual workers* before 1st April 1998 and were either a member of the LGPS *or had a right to be*, retain the right to contribute at 5%. This is retained while they remain employed as a manual worker, without a break in employment of more than one month and one day. This right is also retained if the employee's job is brought back into Local Government after a period of statutory transfer to another employer under contract.

Contributions are payable against Gross Taxable Pay. Net Pay arrangements operate so that the contributions are deducted from the gross pay before tax is levied.

If an *active member* is also contributing to a Personal or Stakeholder Pension he should cease to do so unless he makes arrangements, through his pension provider, to make concurrent contributions under the appropriate legislation.

4.7. **Back-dating Entry** - refer to the LPFA if this becomes a factor.

4.8. **Previous Service**

If the completed form LG/1 indicates that the employee would like us to investigate a possible transfer of pension benefits the necessary investigation will be made by the LPFA.

It is important that *active members* are properly advised about their rights on transfer from other employments. This information is given to new and prospective employees in "The Choice. The Guide" and further information will be sent to the *active member* before they are finally asked to agree to the transfer.

Should you or an employee require further advice, the relevant facts should be given, preferably in writing, to the LPFA.

#### 4.9. **Confirmation of Admission To The Pension Scheme**

Within 10 working days of receiving the LG/1, the LPFA will send a statement (a statutory notification) direct to the employee. In sending this to the employee we will be giving him formal notification that he is an *active member* and confirming his contribution rate.

At the same time the LPFA will send you a copy of the individual's formal notification of admission to the Scheme for your own records. You should keep this copy for at least one year after the employee ceases to be employed by you.

Should this document not be received within 2 months of despatch of the LG/1 please contact the LPFA.

If as the result of a transfer value payment from a former employer earlier service is credited, a further notice of entitlement will be sent to the employee and copied to you for your records. This may be some weeks or months after the notice of admission to the Scheme.

#### 4.10. **Added Years - Cost Borne by Employer**

When an *employing authority* is satisfied that having regard to the efficient exercise of their functions and there are exceptional reasons for doing so, they may after the individual enters their employment, resolve to add a limited number of years to his membership. The full cost of the additional benefits arising from the exercise of this discretion will be charged to the *employing authority*. This discretion should only be used in exceptional circumstances. Should you wish to use it please let the LPFA have full details of the case so that you may be advised of the limit to the number of years which may be added in the particular case and as to the formalities required. See also Appendix 2 and Appendices 8, 9 and 10 on increase of membership for active members.

#### 4.11. **Added Benefits - Purchase By Employee**

There are essentially three methods by which an *active member* can purchase additional benefits:

- **Purchase of Added Years**  
Additional payments can often be made into the Fund to buy additional years of service. Benefits purchased under this method are for guaranteed amounts relative to the *active member's final pay* at retirement.
- **Additional Voluntary Contributions**  
Alternatively, extra benefits may be purchased by the payment of Additional Voluntary Contributions (AVCs). These contributions are invested with Prudential Corporate Pensions, as directed by the *active member*. On retirement, or earlier death, the accrued fund is used to purchase additional benefits. Benefits purchased under this method cannot be guaranteed at the outset since the eventual amounts will depend on fluctuating investment returns.
- **Concurrent Stakeholder and Personal Pensions.**  
From 6<sup>th</sup> April 2001 members of the LGPS may also contribute to a Stakeholder or a Personal Pension scheme if, in at least one of the five tax years preceding the year in which the contributions are made, their earnings did not exceed £30,000 but not counting any tax year prior to 2000/2001.

Stakeholder and personal pensions represent an alternative to Additional Voluntary Contributions and the purchase of additional scheme membership for some scheme members wishing to increase their scheme benefits.

Government legislation requires employers who do not already offer an occupational pension scheme to identify a Stakeholder pension scheme and facilitate access to it for their employees. The major LGPS employers who automatically admit all regularly employed staff are therefore not required to offer Stakeholder pensions to their employees and in fact have no legal remit to do so.

An employee who wants to make concurrent contributions to a Stakeholder or personal pension will have to make his or her own arrangements with a provider of his or her own choice. Contributions would be paid to the Stakeholder provider via, for example, a direct debit or standing order from the employee's bank account. The minimum contribution to a Stakeholder pension will be £20 for both regular and one-off payments.

Certain smaller employers who do not admit all staff to the local government scheme, but who employ more than 5 people aged 18 or over, *are* required to facilitate access to Stakeholder pensions. If you require advice concerning this please contact the LPFA.

**Further details concerning the options available to scheme members who wish to increase their pension rights may be found in the booklet "Increasing your Pension Scheme Benefits", a copy of which is provided in Section 13 of this guide. Extra copies are available to *active member* on request to the LPFA. The procedure to be followed when an *active member* decides to pay an AVC is given at 10.3A.**

## 5. CHANGES DURING EMPLOYMENT REQUIRING ACTION

### 5.1. General

Action may need to be taken in the following cases - please see the separate notes about each case:

- A *whole-time active member* becomes *part-time* (para 5.2)
- The contractual hours or weeks worked by a *part-time active member* vary (para. 5.3)
- Pay is reduced because of sickness or injury (para. 5.4)
- Leave without pay is granted (para. 5.5)
- Maternity, Paternity and Adoption Absence (para.5.6)
- Jury service (para. 5.7)
- Trade disputes (para. 5.8)
- Absence without permission (para. 5.9)
- An *active member's* pay is permanently reduced because of a change in his circumstances (para. 5.10)
- An *active member's* pay is reduced as a result of Local Government Reorganisation (para. 5.11)

### 5.2. Whole-time Active member becoming Part-time Or Change In Fraction Of Whole-time Worked

A *whole-time active member* who reduces his hours to become *part-time* remains in the Scheme.

The LPFA must be advised of the date of the change to *part-time* employment, the part-time hours/weeks worked and the equivalent whole-time hours/weeks.

Form LG/172 should be used for this purpose. The employee will then be issued with a revised notice of his status in the Scheme and you will be sent a copy.

### 5.3. Part-time Active member Changing Contractual Hours

A *part-time active member* whose contractual hours are either increased or decreased remains in the Scheme. As with a *whole-time employee* changing their hours, form LG/172 should be completed and returned to the LPFA.

#### 5.4. **Reduction in Pay Because Of Sickness or Injury**

If the reduction is temporary, both the employee's and the employer's contributions are payable on the pay (see para. 9.1) the employee receives before reduction on account of Statutory Sick Pay or other appropriate National Insurance benefit.

No further action need be taken, provided a record of the full amount of the pay before reduction is available, should it be required for the purpose of calculating benefits.

If the reduction is likely to be permanent, you must contact the LPFA for further guidance.

#### 5.5. **Unpaid Leave And Leave On Reduced Pay**

- a) This section applies if you grant an *active member* leave of absence from his employment without pay, or with reduced pay. If a member is away from his employment with permission (otherwise than because of illness or injury) for a continuous period of less than 31 days or away on jury service for any period, and is receiving reduced pay or no pay, he must make contributions at the standard contribution rate on the pay he would have received during that period but for his absence.
- b) You should make arrangements with the employee direct for the appropriate contributions to be collected from his pay through the payroll. In this way he will receive immediate tax relief. Employer's contributions are also payable in full.

Both the employee's and the employer's contributions should be included in your monthly and annual returns. The LPFA does not require any other notification if the period of leave does not exceed 30 days. The employee's service counts in full.

An employee who is paying additional percentage contributions or installments to the Scheme to increase their benefits must continue to pay those contributions in full throughout the period of absence. If that is not practicable, the contributions must be collected as soon as possible on their return. If the employee wishes to cease paying the additional contributions please notify the LPFA immediately when arrangements will be made to end the contract. The period of service already bought will be calculated and the employee will have the right to apply to start a further contract on return to work; but it will usually be more expensive because their age is greater than when the first contract was entered into.

This does not apply to Additional Voluntary Contributions (AVCs) paid to Nationwide Building Society or Prudential Corporate Pensions via the employer. An employee can choose whether or not to pay.

- (c) **Where the period of leave of absence exceeds 30 days**, on his return to work or following his retirement or resignation, the employee has an option to pay contributions for the whole period of his absence or, if it exceeds 36 months, for 36 months. If contributions are paid, the period of membership counts in full. Periods for which contributions are not paid do not count for pension purposes.

Where the employee elects to pay contributions, employer's contributions must also be paid in full.

Where an employee is paying additional percentage contributions these must continue to be paid throughout the absence as detailed in paragraph 5.5(b). Payments are assessed against

the pay they would have received but for their leave of absence.

On the commencement of an *active member's* leave of absence that will extend beyond 30 days you must:

- Complete form LG/210 and forward it to the LPFA
- Give the employee form LG/211(UL) which explains the options available and includes a form for him to complete on his return.
- On the employee's return to work, or following his retirement or resignation, you should:
- Complete form LG/212 and send it together with a copy of the employee's election form, LG/211(UL), to the LPFA
- Deduct the appropriate contributions from the employee's pay, and include both the employee's and employer's contributions in your monthly and annual returns (LG/221 and LG/99).

#### 5.6. **Maternity, Paternity and Adoption Absence**

This section applies where a member is absent from work because of pregnancy or confinement, paternity or adoption absence and has a right under contract of employment to return to work.

##### **(a) During any period of paid maternity, paternity or adoption leave**

If a person who is a member or has applied to be a member goes on maternity, paternity or adoption leave, they must make contributions at the standard contribution rate, as respects any part of their period of absence for which they are a member and entitled to receive pay. Pay includes any statutory maternity, paternity or adoption pay payable to them, but not any amount by which their actual pay is reduced on account of their possible entitlement to such statutory pay.

Both the employee's and the employer's contributions should be included in your monthly and annual returns. The LPFA does not require notification of maternity, paternity or adoption absence unless it becomes unpaid.

If a member's pay is reduced temporarily because they are on maternity, paternity or adoption leave they are required to continue to pay the full amount of any **additional contributions** they may be paying to increase their membership. Payments are assessed against the pay they would have received but for the reduction, and arrangements will need to be made to continue making payments throughout their absence or immediately on their return.

##### **(b) During any period of unpaid ordinary maternity, ordinary adoption or statutory paternity leave**

If a person who is a member, or has applied to be a member, goes on ordinary maternity leave, ordinary adoption leave or statutory paternity leave, and is not entitled to receive pay for all or any part of that period of leave, they shall be treated as if they had paid contributions for the unpaid period of that leave on the pay that they would have received during that period but for their absence. That is any period during the first 26 weeks when the employee is not in receipt of statutory maternity or adoption pay, or contractual maternity pay or during any period of unpaid statutory (one, or two consecutive weeks) paternity leave, (e.g. some low earners).

(c) **During any period of unpaid maternity, paternity or adoption leave, other than ordinary maternity, ordinary adoption or statutory paternity leave**

If a person who is a member, or has applied to be a member, is on maternity or adoption leave, other than ordinary maternity or adoption leave, and for the whole or part of the period of their maternity or adoption absence they are not entitled to receive pay (including any statutory maternity or adoption pay), they may make contributions at the standard contribution rate as respects the unpaid period.

If the member makes an election to pay contributions at the standard contribution rate as respects the unpaid period to count the service for pension purposes, the contributions are calculated as if their pay in the employment were equal to the pay they were entitled to receive immediately before the unpaid period began. Pay would include any statutory pay, but not any amount by which her actual pay is reduced on account of their possible entitlement to such statutory pay. The employer's pension contributions would be due on notional full pay. Such an election would have to be made within the period of 30 days beginning with the day the person returns to work or ceases employment (if earlier), or such longer period as the employer may allow.

**On the commencement of an *active member's* unpaid maternity, paternity or adoption leave, other than unpaid ordinary maternity, ordinary adoption or statutory paternity leave, you must:**

- Complete form LG/210 and forward it to the LPFA
- Give the employee form LG/211(MA) which explains the options available and includes a form for them to complete on her return to work.
- On the employee's return to work, you should:
- complete Form LG/212 and send it together with a copy of the employee's election form, LG/211(MA), to the LPFA
- deduct the appropriate contributions from their pay, and include both the employee's and employer's contributions in your monthly and annual returns (LG/221 and LG/99).

*Maternity, paternity or adoption leave* means any period throughout which a member is absent from duty because he is exercising his right to take maternity, paternity or adoption leave in accordance with sections 71, 73, 75A or 75B of the Employment Rights Act 1996 or regulations 4 or 8 of the Paternity and Adoption Leave Regulations 2002.

*Ordinary adoption leave* means leave under section 75A of the Employment Rights Act 1996;

*Ordinary maternity leave* means leave under section 71 of the Employment Rights Act 1996





<b>Type of leave</b>	<b>How service counts under the LGPS</b>	<b>Member pays pension contributions on</b>	<b>Employer pays pension contributions on</b>
Ordinary Adoption Leave (weeks 1 to 26)	Counts in full as if the employee had been at work	Actual adoption pay received, if any	Notional full pay
Unpaid Additional Adoption Leave (weeks 27 to 52) <ul style="list-style-type: none"> <li>• Employee opts to pay contributions to cover unpaid period</li> <li>• Employee does not opt to pay contributions to cover unpaid period</li> </ul>	Counts in full as if the employee had been at work  Does not count	Notional pay based on the rate of adoption pay the employee was entitled to receive on last day of paid adoption leave  Not applicable – no contributions are due	Notional full pay  Not applicable – no contributions are due
Statutory paternity leave	Counts in full as if the employee had been at work	Actual pay received, if any	Notional full pay

Note: If a person is paying additional pension contributions to purchase added years of membership under the Scheme those additional contributions should continue to be paid throughout the whole period of any maternity, adoption or paternity leave as if the employee was still in receipt of full pay.



## 5.7 **Jury Service**

Where an *active member* is away on jury service for any period, and is receiving reduced pay or no pay, he must make contributions at the standard contribution rate on the pay he would have received during that period but for his absence. Employer's contributions are also payable in full. "Away on jury service" means being away from work with permission given so that an employee can attend for jury service in pursuance of a summons under the Juries Act 1974 or attend as a juror at an inquest under the Coroners Act 1988.

## 5.8. **Trade Dispute Absence**

"Trade dispute absence" means absence from duty, otherwise than with leave, for a period of one or more days during and because of a trade dispute;

If an *active member's* absence results from his participation in a Trade Dispute and the absence is for at least 1 day, special provisions apply. A Trade Dispute is defined in the Trade Union and Labour Relations Act 1974, as amended, to be an industrial dispute between an employer and his employees in connection with the employee's conditions of employment),

He may make a contribution for the relevant contribution period at the rate of 16 per cent on his lost pay for that period. His lost pay is the difference between his actual pay (if any), and the pay he would have received but for any trade dispute absence, (disregarding any guarantee payments under Part III of the Employment Rights Act 1996).

Where a person pays contributions under the provisions regarding trade disputes for any period, that period counts as a period of membership, even if his contract of employment did not subsist throughout that period. The termination of a person's contract of employment because of a trade dispute does not prevent this regulation applying to him if he again becomes an employee of the same Scheme employer and a member not later than the day after the dispute ends.

To make contributions under this regulation a person must apply to the employing authority in writing before the expiry of the period of 30 days beginning with the day on which he returns to work or such longer period as the authority may allow. But if he ceases to be employed by that authority without returning to work, he may apply to make contributions before the expiry of the period of 30 days beginning with the day he so ceases or such longer period as they may allow.

Form LG/210 must be completed and sent to the LPFA at the start of any absence and should be followed by Form LG/212 on the employee's return. The employee should be given Form LG/211(TD) which explains the options available to him.

Provided the employee elects to do so within 3 months of the end of the period of Trade Dispute, the period of membership that would otherwise have been forfeited for pension purposes can be "bought back". Any Additional Contributions in being must be paid in any event (see 5.5 above). If the employee elects to "buy back" the period, he must make payment of 16% of the *remuneration* lost during the dispute. Payments can be spread over a suitable period.

The payment of 16% is common to both *officers* and *manual workers* and represents an average of employee's **and** employer's contributions otherwise due. Consequently, no separate employer's contribution is required upon that payment. Once payment is complete the period counts in full for all pension purposes. The employee cannot choose to buy back only part of a period, he must buy all or none of the period of a particular dispute. However, he is prevented from making all the purchase if in any single tax year his total pension contributions (i.e. from all sources) would exceed 15% of his pay for that tax year. In these circumstances the maximum period that can be bought must keep him within the 15% limitation.

#### 5.9. **Absence without Permission**

Generally when an *active member* is absent and is not receiving full pay (except where the period is authorised sick leave or authorised Leave of Absence) no pension contributions are payable and the period does not count for pension purposes. However, if the employee had previously elected to make additional pension contributions (i.e. over and above the standard 5 or 6% as appropriate) those additional contributions must continue to be paid as if full pay had been received during the absence.

Should an *active member* not return from any period of absence, (excluding maternity, paternity and adoption absence) he should, for pension purposes be treated as having resigned on the last day in respect of which he received pensionable pay.

#### 5.10 **Permanent Reductions in Pay: Certificates of Protection of Pension Benefits**

When, following a material change in his circumstances that was beyond his control, an *active member's* rate of *pay* is reduced or the rate at which it may be increased is restricted in such a way that it is likely that the rate of his retirement pension will be adversely affected, he is entitled to be issued with a certificate to that effect by the employing authority, which permits benefits to be calculated on his pay before the reduction took place.

It is not possible to give precise guidance on what constitutes a change in circumstances. It does not apply where earnings are temporarily reduced because of ill health, nor to the cessation of a temporary allowance or of non contractual overtime working, but it may be applicable where the *remuneration* of his employment is reduced or frozen, or if he is forced to take a lower paid job. Should a case arise where you, or the employee concerned, consider that a Certificate of Protection might apply please let the LPFA have full details (in writing) so that advice may be given on this point. See also Appendices 8 & 9: Permanent Reductions in Pay - Certificates of Protection.

#### 5.11 **Reduction Of Pay As A Result Of Local Government Reorganisation**

Should an *active member* transfer employment with the same employer, or to a different employer, as a result of Local Government Reorganisation and receive a lower *remuneration*, he is entitled to defer his benefits from the first employment provided he has accrued three months scheme membership or had a membership credit in respect of a transfer value. This may be to his advantage and should such a case arise, please contact the LPFA for advice.

#### 5.12. **Other Changes In Circumstances**

Please notify the LPFA in writing in the event of any of the following:

- a change of name of any *active member*
- a change in an *active member's* National Insurance Number or contribution table letter
- a change in the employee's status in the Scheme from *manual worker* with protected 5% rate of contribution to *office, 6% rate of contribution*

## 6. RESIGNATIONS, DISMISSALS AND OPTANTS-OUT

### 6.1. General

This section deals with the action necessary when *active members* leave your service before retirement or if they opt-out of the Scheme.

Under the Regulations it is not possible to recover overpayments of salary or other amounts due from employees from pension benefits or transfer value payments, but requests from your employees, who are taking a refund of contributions, to offset against the refund an agreed amount due to your Authority may be accepted by the LPFA.

### 6.2. Voluntary Resignation

#### Information for *active member*

The *active member* should be given the leaflet "Leaving the Local Government Pension Scheme" which explains the choices open to him. The booklet contains form LG/109 that he uses to notify the LPFA of his choice.

If, in order to choose between taking preserved benefits or a transfer value, the employee needs more information please ask him to contact the LPFA to request the information before making any decision.

#### Information for the LPFA

Forms LG/101 and LG/102 should be completed by you and sent to the LPFA in all cases. If you hold a 'Nomination of beneficiary for the payment of death grant' form in respect of the *active member*, this should also be forwarded to the LPFA. (See paragraph 7.2)

### 6.3. Dismissals

Where an *active member* is dismissed for reasons other than ill health, redundancy, or in the interests of the efficiency of your organisation's functions, the procedure for resignation should be followed.

If dismissal is in consequence of a criminal, negligent or fraudulent act or omission in connection with their employment and if the employer has incurred financial loss, this may lead to the payment of compensation to the employer out of the Fund. If the member is convicted of an offence committed in connection with his employment, this may lead to the individual forfeiting all or part of his accrued pension rights

Full details of such cases should be sent to the LPFA, who will then advise accordingly.

### 6.4. Optants-Out

If an *active member* wishes to opt-out of the Pension Scheme after a period during which contributions have been paid they should complete form LGPS/X. This must be returned to the LPFA via the employer who should, if it is within three months of joining refund the employee's contributions through their payroll, or if it is after three months treat the case as a voluntary resignation - see paragraph 6.2 above.

The reason for leaving on forms LG/101 and LG/102 should be shown as OPTED-OUT.

## 7. DEATH OF AN ACTIVE MEMBER

### 7.1 Death of an Active member

Forms LG/101 and LG/102 should be completed and sent to the LPFA as soon as possible, together with, if possible, details of any widow/er, children or other next-of-kin. If you hold a 'Nomination of beneficiary for the payment of death grant' form in respect of the *active member*, this should be sent also. (See paragraph 7.2 below)

If you have a copy of the death certificate please send a photocopy of it to the LPFA, or if you are in touch with the next-of-kin or executors of the Estate of the deceased, please ask them to send it. Do not delay sending forms LG/101 and LG/102 if a death certificate is not available.

When the deceased employee leaves a spouse and/or children who may be eligible for benefits, the LPFA require to see the deceased's marriage certificate and the birth certificates of the spouse and/or children. Normally the LPFA will write to the spouse or next-of-kin asking for these but it would be helpful, if you are in touch with the family, if you mentioned that these certificates will be required by the LPFA.

Please let the LPFA know by telephone or letter if you are aware of any special circumstances (such as the serious illness of the next-of-kin) which need to be taken into account when arranging to pay death benefits or dependants pensions.

### 7.2 Nomination by Active member Of Beneficiary of Death Grant

The Local Government Pension Scheme Regulations make provision for Scheme members to nominate one or more beneficiaries to receive payment of any death grant payable in the event of their death. Nominations should be made, amended or cancelled, on the form 'Nomination of beneficiary for the payment of death grant', which includes explanatory notes. An example of the form (LG/104) is in the back of this folder and further supplies are available from the LPFA or can be downloaded from the employers website at: [www.lpfa.org.uk/your\\_fund](http://www.lpfa.org.uk/your_fund).

If an *active member* submits a completed form to you, it should be forwarded to the LPFA.

In the past, these forms were retained in *employing authority* files until such time as the employee ceased to contribute to the Scheme, when the form was forwarded to the LPFA together with forms LG/101 and LG/102. If, at the time of death, you are still holding such a form it should be forwarded to the LPFA immediately with forms LG/101 and LG/102.

Whether a nomination is made or not, the LPFA retains absolute discretion in respect of to whom the death grant is paid, but takes due regard of any wish expressed by the employee.

## 8. RETIREMENTS

### 8.1. Entitlement To Benefits

An *active member* leaving your employment will be entitled to immediate payment of benefits if he has reached his Normal Retirement Date:

- Normal Retirement Date for members who joined after 1/4/98 is age 65
- Normal Retirement date for those with continuous membership since before 1/4/98 is:
  - the date at which they can count 25 years of scheme membership, between ages 60 and 65
  - but not later than age 65.

The only other *active members* who are entitled to immediate payment of benefits are those who:

- Are permanently unfit and have completed at least 3 months membership or had a transfer credit, or
- Are retired on grounds of redundancy or in the interests of the efficiency of your organisation's functions, is aged **50** or over, and have at least 3 months membership or have had a transfer credit.

An *active member* who leaves between the ages of 60 and 65 whose age and total membership (each in whole years) total less than 85, is entitled to preserved benefits, or he may choose to receive reduced benefits immediately.

A female *active member* choosing preserved benefits must have her *GMP* put into payment at age 60 if she is not in local government employment, and if she chooses to receive reduced benefits she will not have them reduced to less than her *GMP*.

A male *active member* choosing to receive reduced benefits may have them reduced to a level below that of his *GMP*. On attaining age 65 however, his benefits will be increased to the level of his *GMP*.

An outline of the manner in which benefits are calculated is given in "The Choice The Guide".

### 8.2. Age 65

A strict interpretation of the law is that an *active member* attains the age of 65 on the date immediately before his 65<sup>th</sup> birthday. The day before his birthday should therefore be his last day of active membership and his pension would commence on his 65<sup>th</sup> birthday.

Should the employee continue in employment past age 65, he will be deemed to have retired for pension purposes on his 65<sup>th</sup> birthday unless with his consent, you formally extend his active membership.

This may be to his advantage if he does not already have 45 years total membership (no more than 40 of which can be before age 60) and commenced in the Scheme before 1st June 1989 or, commenced in the Scheme after 31st May 1989 and does not already have 40 years total membership counting for pension purposes and wants to count further membership.

N.B: Members who joined after 20/5/99 cannot accrue further membership but their retirement benefits will be actuarially increased if you extend their period of active membership.

Subject to the above, decisions as to dates of retirement are matters between you and your employees and are not governed by the Pension Regulations.

### 8.3. **An Employee Who Is Permanently Unfit**

Any *active member* who is forced to leave his employment by reason of becoming permanently unable to discharge efficiently the duties of their local government employment, or any other comparable employment with his employing authority, by reason of ill health or infirmity of mind or body, becomes eligible for payments from the Pension Fund. In many cases such payments are "enhanced" because the termination is enforced on medical grounds.

In the employee's own interests, you must therefore before his pay ceases, obtain a certificate from an independent registered medical practitioner, approved by the LPFA, who is qualified in occupational health medicine as to whether in his opinion the member is permanently incapable of discharging efficiently the duties of the relevant local government employment because of ill-health or infirmity of mind or body. The duly qualified medical adviser must be asked to certify that the employee is "permanently incapable of discharging efficiently the duties of his employment by reason of ill health or infirmity of mind or body" by completing form LG/103. Where you do not have your own medical adviser, arrangements can normally be made for the LPFA's medical adviser to make an examination. It is advisable for the LPFA's medical adviser to be consulted wherever possible to ensure consistency of treatment across the Fund.

**"comparable employment"** means employment in which, when compared with the member's employment-

- (a) the contractual provisions as to capacity either are the same or differ only to an extent that is reasonable given the nature of the member's ill-health or infirmity of mind or body; and
- (b) the contractual provisions as to place, remuneration, hours of work, holiday entitlement, sickness or injury entitlement and other material terms do not differ substantially from those of the member's employment.

**"independent medical practitioner"** means that the medical practitioner has not previously advised, or given an opinion on, or otherwise been involved in the particular case for which the certificate has been requested, and is not acting, and has not at any time acted, as the representative of the member, the Scheme employer or any other party in relation to the same case.

**"permanently incapable"** means that the member will, more likely than not, be incapable, until, at the earliest, his 65th birthday.

**"qualified in occupational health medicine"** means holding a diploma in occupational medicine (D Occ. Med.) or an equivalent qualification issued by a competent authority in an EEA State (which has the meaning given by the General and Specialist Medical Practice (Education, Training and Qualification) Order 2003) or am an Associate, a Member or a Fellow of the Faculty of Occupational Medicine or an equivalent institution of an EEA State.

When form LG/103 has been completed it should be sent to the LPFA with forms LG/101 and LG/102. If you hold a 'Nomination of beneficiary for the payment of death grant' form in respect

of the *active member*, this should be sent also. (See paragraph 7.2)

If ill health retirement results from an accident sustained in the course of the employee's duties, there may be an entitlement to an Injury Allowance. Please consult the LPFA if such a case arises.

If the medical adviser certifies that at the time of retirement an *active member* has a life expectancy of less than one year his pension benefits above the level of his *GMP* may be commuted into a lump sum. Please consult the LPFA if such a case arises.

**8.4(A) Redundancy Or Early Retirement**

It is important that when considering *active members* for early retirement in the interests of the efficiency of the employer's service, or in redundancy situations, that you seek advice from the LPFA as to the potential costs involved. The employer may be required to pay to the Fund costs arising from the release of retirement benefits on these grounds based on the Fund's Actuarial advice. Even where an immediate payment to the Fund is not required, frequent use of these provisions will tend to increase your employer's contribution rate at subsequent Fund valuations because the costs of releasing Scheme benefits prematurely is very expensive.

It is possible in certain circumstances to award an additional period of membership, under the Local Government compensation regulations, for the purpose of increasing benefits. This is explained more fully in Appendix 3.

**8.4(B) Power of employing authority to increase total membership of members**

It is possible in certain circumstances to award an additional period of membership for the purpose of increasing benefits, under the Local Government Pension Scheme Regulations. Should you wish to use this option please let the LPFA have full details of the case so that you may be advised of the limit to the number of years that may be added in the particular case and as to the costs and formalities required. See also Appendix 2.

**Please note:** Under regulation 80 of the LGPS the administering authority (LPFA) may require employing authorities to make additional payments in respect of charges on the fund resulting from immediate payment of benefits; from age 50 (employer's consent), redundancy and Deferred Benefits put into payment on grounds of ill-health.

#### 8.5. Notification of A Retirement

As soon as it is known that an *active member* is leaving your employment, whether on a voluntary basis or because of having reached retirement age, etc. he should be given the booklet 'Leaving the Local Government Pension Scheme' containing form LG/109. If he believes he is entitled to immediate payment of benefits the form confirms that, but more importantly, it provides an early opportunity for the employee to confirm his marital status. At the same time forms LG/101 and 102 should be completed and forwarded to the LPFA. If, for any reason, particularly in the case of immediate entitlement to benefits, the final details are not available, please send in a provisional LG/102 form and send a second form with actual/revised information together with the LG/101 when the details become available. If you hold a 'Nomination of beneficiary for the payment of death grant' form in respect of the *active member*, this should be forwarded also (see paragraph 7.2).

Wherever possible lump sums due on retirement are paid (or at least a substantial payment on account made) within a few days of retirement. This can only be achieved if forms LG/101 and 102 are received in advance, preferably at least one month before the date of retirement.

A form P45 must **not** be issued to any employee who is entitled to the payment of an immediate pension. Instead, form LG/Tax1 should be sent to the LPFA as soon as the final payment of salary or wages has been made so that the correct tax code may be applied to the first pension payment. At the same time you should also give a copy to the employee for their records. A copy of this form will be sent to the LPFA's Tax Office with whom this arrangement has been agreed. However, if your own Tax Office insist form P45 is completed, you should head the P45 "PENSIONER", send part 1 to your own Tax Office, give part 1a to the employee and send parts 2 and 3 to the LPFA.

#### 8.6. Variations Of Advance Notification

Cancellations or alterations to dates of retirement, or revised *final pay* figures, should be notified to the LPFA quickly by telephone and confirmed by submitting revised forms LG/101 and 102.

If an *active member* receives pay after his retirement, e.g. due to a retrospective pay award, bonus payment, etc., this fact should be submitted to the LPFA on a clearly marked revised LG/102, together with the date you **actually paid** the extra salary due. Pension contributions should be deducted and the contributions sent to the LPFA in the normal way even if the payment is made in the next financial year. Delay in submitting revised figures may result in interest becoming payable on the increased benefits. Provided the employee's name, National Insurance Number and details of any amendments are given, other information on the previous form need not be repeated.

#### 8.7. Informing an Active member of Final Pay

Please give the employee a copy of any form LG/102 that is sent to the LPFA.

## 9. PAY

### 9.1. Remuneration on Which Employees' Contributions Are Payable

For pension purposes an employee's *pay* is all the salary, wages, fees and other payments paid to an *active member* for his own use in respect of his employment. It may also include any other payment or benefit specified in his contract of employment as being a pensionable emolument.

However, *pay* CANNOT include:

- payments for non-contractual overtime;
- any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment;
- any payment in consideration of loss of holidays;
- any payment in lieu of notice to terminate his contract of employment;
- any payment as an inducement not to terminate his employment before the payment is made;
- Payments made in consequence of a School Achievement Award. These awards are given to schools where pupil performance shows substantial improvement over time. With advice from heads, governing bodies of award-winning schools will decide how to share the award between staff;
- any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision but see Appendix 4 for the position of any employee in service prior to 1st January 1993;
- in the case of an employee or former employee of the Commission for the New Towns, any payment made under any scheme relating to the termination of the employment of employees by the Commission in respect of the completion before a specified date of specified functions.

### 9.2. Final Pay

This is used to calculate benefits according to the length of service in the Scheme. You should notify us of the *final pay* figure when an *active member* leaves the Scheme by completing form LG/102.

Normally this figure will be the *pay* on which pension contributions have been deducted in the final 365 days of the employment. The Regulations allow an *active member* to go back to an earlier year if the *final pay* figure is greater than the final year. However, unless a Certificate of Protection has previously been issued, the employee cannot go back more than 3 year's prior to retirement. See paragraph 5.10 "Permanent Reductions in Pay".

Where *pay* has been reduced or suspended because of ill health, the normal *pay* that would have been paid had the ill health not occurred should be used.

Where *pay* has been suspended in the final year for any other reason, for example an industrial dispute, then, unless the employee elects to repay contributions, the *final pay* should reflect the final 365 days *pay* on which contributions have been paid. In which case you must go back into the previous 'year' to calculate the correct *final pay* figure.

Where employment ceases after the date to which contributions have been paid, for example, following a period of leave without pay, then again, unless the employee elects to repay contributions, the *final pay* should reflect the final 365 days pay on which contributions have been paid.

A member's pay for any period of maternity , paternity or adoption absence during the final pay period in respect of which she pays or is treated as paying contributions is the pay she would have received had she not been absent.

Payment in lieu of holidays and pay in lieu of notice should not be included in the *final pay* figure.

### 9.3. **Earnings Cap**

An employee who joined the Local Government Pension Scheme for the first time on or after 1st June 1989 may not pay contributions on, or have benefits calculated on, any *pay* in excess of the "permitted maximum". This is known as the "earnings cap", and is reviewed each year by the Chancellor of the Exchequer. The earnings cap for the tax year 2004/05 is £102,000.

***IF IN ANY DOUBT, PLEASE CONTACT THE LPFA.***

## 10. ACCOUNTS AND RETURNS

### 10.1. General

The LPFA Finance and Investment Team deals in the first instance with most matters affecting accounts. The LPFA Central Processing Team deals in the first instance with most matters affecting monthly and annual contribution returns.

### 10.2. Employer's Contributions

The employer's basic contribution is a percentage of the same *pay* (including any notional *pay* during leave of absence) as that on which employee's contributions are paid. The Actuary appointed to value the Fund fixes the percentage and you will be notified from time to time of the rate payable.

If the employer exercises the discretion to reduce or extinguish employee contributions, where the member has a total membership of at least 40 years, employer contributions remain payable at the percentage fixed.

### 10.3. Payment of Contributions

Payment of employees' and employer's contributions should be made to the LPFA promptly at monthly intervals. Interest is payable, and the Pensions Regulatory Authority (OPRA) may take legal action, if payments are made late as explained in paragraph 10.4.

Any overpayment of contributions should not be deducted from your payments, but queried separately. The LPFA will discuss and agree with you how any overpayment will be refunded.

Payment should be made by electronic transfer (CHAPS) or by BACS to our account as detailed below and a remittance advice (form LG/221) forwarded separately to the Central Processing Team **in advance** of the payment being made.

Account Number	20996571
Sort Code	15-10-00
Account Title	LPFA Main Account

If BACS/CHAPS payment is not possible, payment may be made by cheque made payable to The London Pensions Fund Authority, and sent, **together with** a remittance advice (form LG/221), to the Central Processing Team.

Please ensure that the 221 form is completed and that the employer contribution rate is detailed on it together with the total pay figure and the form is signed by two signatories.

### 10.3A Additional Voluntary Contributions (AVCs)

The Authority provider for Additional Voluntary Contributions (AVCs) is Prudential Assurance, who offer a number of funds for scheme members to invest in. Should any of your members take up this option you will be contacted by Prudential to organise the payroll functions as contributions in respect of AVCs are paid direct to Prudential, not to LPFA

#### 10.4. Interest and Fines for Late Payments

In addition to the LGPS there are overriding requirements of wider national legislation such as the Pensions Act 1995 and the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 among others. In general the overriding legislation is concerned with enforcing minimum standards of scheme management and security.

The main provisions in relation to payment of contributions are:

- Employers to pay over pension contributions within 19 days of the end of the month in which they were deducted from the employees pay. See the Occupational Pension Schemes (Scheme Administration) Regulations 1996, regulation 16; Pensions Act 1995 regulation 49(8).
- Additional implications apply if the failure to pay within 19 days derives from fraudulent evasion of obligations.
- Timescales are imposed covering the provision of certain information to prospective Scheme members, Scheme members or spouses' regarding Scheme information or benefits.

See: The Occupational Pension Schemes (Scheme Administration) Regulations 1996, regulation 16; Pensions Act 1995 regulation 49(8).

The particular significance of the requirements imposed under overriding legislation is that failure to comply can lead to civil action, criminal action, personal fines on relevant employees of up to £5,000, corporate fines of up to £50,000. See the Pensions Act 1995, Section 10, Civil penalties). Further, in the case of fraud, unlimited fines or imprisonment for up to seven years. See the Pensions Act 1995, Section 49 (11) & (12).

It should be particularly noted that failures regarding contributions payments are specifically directed at relevant employers and their relevant employees. It should also be noted that, in certain circumstances (e.g. repeated failures), the LPFA as *administering authority* may feel obliged to disclose failures to OPRA which could lead to the penalties mentioned above being enforced via action by OPRA.

You should also note that if a delay of three months arises in receipt of these contributions by the LPFA, legislation requires that each of your *active members* be notified accordingly. See The Occupational Pension Schemes (Scheme Administration) Regulations 1996, Regulation 16A.

In addition the Local Government Pension Scheme Regulations provide that where all or any part of a sum (by way of payment for employees' and employer's contributions, etc.) remains unpaid at the end of the period of one month after it becomes due, interest may be charged. The LPFA designates the 5<sup>th</sup> day of each month (or the next working day if the 5<sup>th</sup> falls on a weekend or public holiday) as the due date for contributions collected in the previous month. For example, 5<sup>th</sup> April is the due date for contributions deducted from salary and wage payments made in March and there is no interest liability if the money reaches LPFA by 5<sup>th</sup> May.

You are advised that should any payments not be made within a month of the due date the LPFA will, in accordance with the appropriate provisions within the Pension Regulations, levy interest at the standard rate on a day to day basis from the due date to the date of payment, compounded with 3 monthly rests.

The standard rate of interest is defined as 1% above the base rate quoted from time to time by H

M Treasury in response to fluctuations in the base rates quoted by the banks.

10.5. **Annual Return of Contributions**

The annual return of all *active members* for that year and their contributions should be completed and sent to the Central Processing Team, as soon as possible after 31<sup>st</sup> March each year and no later than 30<sup>th</sup> April. Please note that we are unable to issue Annual Benefit Statements to *active members* until this information is received and processed (see paragraph 11.1) and that a delay in a year when the Actuary is valuing the Fund may lead to a higher employer's contribution rate (see paragraph 10.2).

Your contribution return must be submitted in Excel or any electronic print format (ASCII) and on any of the following media: floppy disk, zip disk or CD, or alternatively sent via e-mail.

Notes on the data required on the contribution return are given at Appendix 5 and a file from which to print paper copy of the form is available on request.

A specification and form where appropriate will be sent to you in March each year.

10.6. **Administration Charges**

All costs, charges and expenses incurred by the LPFA in administering the Pension Fund are charged directly to the Fund. You will be notified if there are any changes in this policy.

## 11. OTHER MATTERS

### 11.1. Annual Benefit Statements

It is LPFA's policy to issue an annual statement of prospective benefits to each *active member* and *deferred member*. Statements are issued approximately 14 weeks after receipt of your Annual Return of Contributions each year (para 10.5). From April 2005 statements will be issued to deferred

### 11.2. Estimates Of Benefits

Where *active members* who are considering retirement require an up to date estimate of the benefits they will receive, or where such an estimate is required in connection with a possible ill health retirement or redundancy, this will be supplied at the request of the *employing authority*. Requests for estimates should state the proposed date of leaving, the reason for leaving and should give an estimate of *final pay*.

Although estimates will always be provided as quickly as possible they must always take second place to dealing with actual retirements. It will help if you can let the LPFA know well in advance if an estimate is required.

### 11.3. Social Security Act

An *active member* of the Local Government Pension Scheme is contracted out for State Scheme purposes and will have a National Insurance contribution table letter of D, E or C.

On any return you make to the Department for Work and Pensions (DWP) or to the Tax Office you should quote the following numbers:

Employer's contracted out number                    - ECON E3900002R

Scheme contracted out number                    - SCON S2700110L

Upon leaving the Scheme, steps have to be taken to ensure the *active member's* State Scheme benefits are protected. It is essential, therefore, that the employee's "banded earnings" are entered on form LG/101 as follows:

- if less than 3 month's total membership - all relevant tax years
- if more than 3 month's total membership - at least the last two tax years (current and previous years).

"Banded earnings" means the earnings of the employee above the lower earnings limit and up to (when applicable) the upper earnings limit for Social Security Act contribution purposes.

#### 11.4. **Supply Of Forms And Booklets**

Supplies of forms and booklets may be obtained by telephoning the person you normally deal with at the LPFA. Forms are updated from time to time and master copies, which may, in many cases, be photocopied as required, are available through the employers web site: [www.yourfund.org.uk](http://www.yourfund.org.uk) and are distributed on a general basis to all employers. A list of forms is given at Appendix 6 and copies of current forms are in Section 13.

#### 11.5. **Change In Employer's Name and/or Address**

It is important that you notify the LPFA of any change in the name and/or address of your organisation as soon as they occur. Besides keeping our records up to date, we also notify the Registrar of Occupational Pension Schemes of the changes on your behalf.

It is important also, that you notify the LPFA of any changes to your constitution or legal structure before they occur.

#### 11.6 **Complaints Procedure / Employee's Right of Appeal**

If an employee has a complaint they should contact the LPFA to try and resolve the problem. The LPFA's Complaints Procedure is reproduced at Appendix 7.

In addition to our Complaints Procedure, under the Local Government Pension Scheme Regulations, an employee who is dissatisfied with any decision made in relation to the Scheme has the right to have their complaint reviewed in accordance with our Internal Disputes Resolution Procedure. See Appendix 7.

Should the person nominated by the body who made the decision fail to solve a complaint, the employee may contact, within six months of the date of the decision, apply to the LPFA to have it reconsidered. They may also contact the Occupational Pensions Advisory Service (OPAS) or the Pensions Ombudsman. Details are given in Appendix 7.

Details of the Occupational Pensions Regulatory Authority (OPRA) and their role are also given in Appendix 7.

#### 11.7 **Charters**

The LPFA has produced charters for its *active members* and *pensioner members*. These detail the services we provide to them, the standards that we aim for and how they may contact us. Copies are in the back of this folder and on the employer's website: [www.yourfund.org.uk](http://www.yourfund.org.uk)

## APPENDIX 1

### CONTACT LIST

		Direct dial 0207-369 then
<b>Chief Executive</b>	Peter Scales	6004
<b>P.A.</b>	Anne Lucas	6004
<b>Director of Pensions Operations</b>	Phil Goodwin	6007
<b>P.A.</b>	Maria Bonner	6009
<b>Head of Finance</b>	Amanda Walker	6004
<b>P.A.</b>	Lia Coverdale	6100
<b>Corporate Support &amp; Development</b>		
<b>Corporate Issues</b>	Peter Harris	6048
<b>Development</b>	Jeff Houston	6041
<b>Pensions Administration and Payroll</b>		
<b>Technical Officer</b>	Alan Piper	6063
<b>Operations Managers</b>	Keith Phillips	6038
	Jill Taylor (LFEPa)	6051
<b>Pensions Payroll</b>	Alison Alcock	6086
<b>Accounting, Investments, Contributions and Recoveries</b>		
<b>Finance Manager</b>	Catherine Heirene	6017
<b>Contribution Returns</b>	Tony Williams	6237
<b>Communications and Training</b>		
<b>Training Officer</b>	Keith Garlick	6033
<b>Scheme Literature</b>	Alan Piper	6063
<b>Switchboard</b>		6000
<b>Textphone</b>		6119
<b>Fax</b>		6111

## **APPENDIX 2**

### ***Increase of Membership By Employing Authority***

#### ***Local Government Pension Scheme Regulation 52***

##### **(A) Power of employing authority to increase total membership**

An employing authority may resolve to increase the total membership of an active member .

A member's total additional membership (including additional membership in respect of different employments) must not exceed:

- 6 243/365 years
- The period by which the member's total membership falls short of 40 years; or
- The period by which the member's total membership falls short of the total membership the member will have if he continues as an active member until he is 65

Whichever is the shortest.

The relevant additional period may only be counted as a period of membership if:

- The administering authority and the employing authority agree before the expiry of the relevant period that the employing authority will pay increased contributions under regulation 79 to meet the cost of the increase in membership,

or

- The employing authority make the payment required by regulation 80(1) by reason of the resolution within that period.

The relevant period is the period of one month beginning with the date the resolution was passed, or such longer period as the employing authority and the administering authority agree.

If neither method of payment is implemented the resolution shall cease to have effect.

##### **(B) Effect of increases under this Chapter for older members**

This applies where a member is entitled under this provision to count an additional period as a period of membership, and was aged at least 45 on the first day of the earliest period of membership he is entitled to count.

Where this applies the retirement pension to which the member would otherwise be entitled is increased by multiplying his final pay by  $1/60^{\text{th}}$  for each year or part year of membership and the additional period does not count in the calculation of the standard retirement grant.

**(E) Effect of Awards in respect of Redundancy or Ill Health Retirement**

If a person becomes entitled on leaving an employment to an ill-health pension under the LGPS regulations calculated by reference to an enhanced membership period, an employing authority may **not** resolve to increase the total membership of a member. (See Appendix 3 for Discretionary Compensation)

## APPENDIX 3

### A) THE LOCAL GOVERNMENT (EARLY TERMINATION OF EMPLOYMENT) (DISCRETIONARY COMPENSATION) (ENGLAND AND WALES) REGULATIONS 2000 AND THE LOCAL GOVERNMENT (DISCRETIONARY PAYMENTS) REGULATIONS 1996

1. The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) regulations 2000 consolidate, with drafting and other, minor, amendments, Parts II to IV of the Local Government (Discretionary Payments) Regulations 1996. They make provision for discretionary payments to persons whose local government employment is terminated by reason of redundancy or in the interests of the service or where a joint appointment comes to an end because one of the holders leaves. As a result of these Regulations, the 1996 Regulations now relate only to injury allowances and gratuities as respects non-pensionable service.

#### 2. Awards of additional credited period

Awards of additional credited periods are entirely at the employer's discretion and the employer is responsible for the full costs. They can be made to both *pensionable* and *non-active members* aged **50** years or more who have at least 5 years total membership and who are retired on grounds of redundancy or in the interests of the efficiency of the service.

*Active members* aged 50 years or more who have at least 3 months total membership and who are retired on grounds of redundancy or in the interests of the efficiency of the service are also entitled to immediate payment of accrued pension benefits under the provisions of the Local Government Pension Scheme Regulations. However, if they were an active member at 31<sup>st</sup> March 2004, have less than 2 years membership at leaving and have not had a transfer credit they may elect for a refund of contributions.

3. *Scheme employer* means a body so listed in the Pension Regulations, for example a county council, a London borough council, magistrates' courts committee, by whom he is employed immediately before the termination date and, in relation to any person who is an admission agreement employee his *admission body*.

4. If requested, the LPFA will act as the agent for any employer in calculating and making such payments and would apply the full provisions of the Regulations in individual cases, including the application of the Pensions (Increase) Act 1971, in accordance with the wishes of the employer concerned. However, the employer remains ultimately responsible for meeting the costs of these payments.

5. The Regulations provide that the additional credited period so granted shall not exceed the shortest of the following:
- (a) a period which, when added to the employee's Total Period of Membership will not exceed 40 years or
  - (b) the additional period which the employee could have obtained by age 65 or
  - (c) a period equal to the employee's Total Period of Membership or
  - (d) a period of 10 years.

The exact period, up to the maximum possible, is TOTALLY at the employer's discretion, but special restrictions apply to (a) above if the employee also has entitlements to benefits from another occupational pension scheme.

6. Each year of additional credited period usually gives rise to additional benefits of:
- Lump sum compensation =  $3/80 \times \text{final pay}$
  - Annual compensation =  $1/80 \times \text{final pay}$
  - Contingent widow/er's and children's compensation.

Where an employee is retired on grounds of redundancy and an additional credited period exceeding  $6.2/3$  years is awarded the lump sum compensation must be reduced by:

$3/10 \times \text{Redundancy Payment} \times (\text{Additional Credited Period} - 6.2/3 \text{ years}).$

Where this reduction exceeds the lump sum compensation the excess will be converted by reference to actuarial tables to an annual amount which will be deducted from the annual compensation.

Compensation benefits attract increases under the Pensions (Increase) Act 1971 when a person has attained age 55, or at any age in the case of widow/ers or children's compensation when in payment.

7. Where the employer has requested the LPFA to act as its agent the costs will be invoiced to the ex-employer on a monthly basis. Additionally, the employer will be charged for the cost of Pensions Increase on the compensation benefits, again on a monthly basis.

These additional benefits will be paid only for so long as the employer continues to reimburse the costs to the LPFA.

8. If an employer wishes the LPFA to act as agent in paying such compensation to an eligible employee, then forms LG/101 and 102, used for notification of retirement, should be accompanied by a written statement giving:
- full details of any former pension scheme benefits, either in payment or deferred for later payment, from a former employment that have not been transferred into the Local Government Scheme,

- additional credited period to be granted,
- redundancy payment if additional credited period is greater than 6.2/3 years (6 years 243 days),
- termination payments, for example; amount of any payment in lieu of notice in excess of 12 weeks,
- confirmation that you will reimburse the LPFA in full the costs of the benefits.

9. Estimates of such compensation can be supplied on request, but you are advised to consult the LPFA when considering the retirement of an *active member* under either of these provisions. This is to enable the LPFA to give full and proper advice on all the cost implications.

**PLEASE NOTE:**

For employees who contribute under the Teachers Pension Scheme Regulations, the Teachers Compensation Regulations generally follow the same pattern as the Local Government Compensation Regulations and the LPFA will act as paying agents, upon the above terms, and give advice for these cases on request.

3. **Powers to pay single lump sum compensation payments**  
Under Part III of the Regulations *Scheme Employers* are given discretionary powers to pay single lump sum compensation payments to eligible employees made redundant or retired early in the public interest. To be eligible, employees must be over age 18 and under 65, with at least 2 years local government employment if aged less than 50.

The lump sum paid under this part of the Regulations must not exceed the lesser of:

- 66 weeks *remuneration*, or
- if the employee is at least 18 but under 20 on the termination date, half a week's pay for each complete year of qualifying employment after he became 18;
- if the employee is at least 20 but under 23 on the termination date -
  - (i) half a week's pay for each complete year of qualifying employment after he became 18; and
  - (ii) an additional half a week's pay for each complete year of qualifying employment after he became 20;
- if the employee is at least 23 but under 41 on the termination date, two weeks' pay for each complete year of qualifying employment after he became 18; or if the employee is at least 41 on the termination date -
  - (i) two weeks' pay for each complete year of qualifying employment after he became 18; and
  - (ii) an additional three weeks' pay for each complete year of qualifying employment after he became 41.

**PLEASE NOTE THAT THESE DISCRETIONARY AWARDS CANNOT BE MADE WHERE AN AWARD OF ADDITIONAL SCHEME MEMBERSHIP HAS BEEN MADE BY THE EMPLOYER UNDER THE LGPS REGULATIONS**

4. The employer is free to decide upon any level of compensation up to the relevant maximum. Any redundancy payments required by employment protection legislation must be included within the total sum payable under this regulation.

## **APPENDIX 4**

### PAY AND THE PROVISION OF CARS OR PAYMENT IN LIEU OF THE PROVISION OF CARS

The Scheme Regulations specifically exclude the money value to the employee of the provision of a motor vehicle and any payment in lieu of the provision of a motor vehicle for *pay* purposes with the following exceptions:

- Those employees paying pension contributions on 31st December 1992 in respect of the value to them of the provision of a car, or in respect of a payment accepted at any time after 31st December 1992 in lieu of such provision, may continue to pay those contributions for so long as they have a car provided or are in receipt of the payment in lieu of such provision **and** for so long as they remain employed by the employer who was employing them on that date or by a subsequent employer to whom they were transferred in circumstances beyond their control.

This also applies to existing employees at 31st December 1992 who were benefiting from a car provided but who were not paying pension contributions related to its "value", and who appealed, before 31<sup>st</sup> March 1993, to the Department of the Environment to enforce their rights.

- Those employees paying pension contributions in respect of a payment accepted in lieu of the provision of a car as at 2nd May 1995, or for whom arrangements were being made to make such a payment as at that date and for which the arrangements were effected before 1st July 1995, may continue to pay those contributions for so long as they are in receipt of the payment **and** for so long as they remain employed by the employer who was employing them on 2nd May 1995 or by a subsequent employer to whom they were transferred in circumstances beyond their control.

## APPENDIX 5

### Contribution Return Specification

As a minimum, the data listed below should be included, in separate columns/fields with appropriate labels, for each member of the Scheme.

~ **National Insurance Number**

Please use the format AANNNNNNA – do not include any spaces between the alpha and numeric characters

~ **Surname**

Please provide the return in alphabetical order. The return should include all employees/ex-employees who were members of the Scheme in the LPFA Fund in the period 1<sup>st</sup> April to 31<sup>st</sup> March of the relevant financial year

~ **Initials**

~ **Pensionable remuneration**

This should be the pay/salary figure from which contributions have been deducted in the period 1<sup>st</sup> April to 31<sup>st</sup> March of the relevant financial year.

~ **Pensionable emoluments**

If applicable. This should be the figure, representing the value of the emolument, from which contributions have been deducted in the period 1<sup>st</sup> April 2003 to 31<sup>st</sup> March of the relevant financial year.

~ **Basic employee contribution percentage**

This will be either 5 percent or 6 percent. Please use the format 05.00 or 06.00

~ **Additional employee contribution percentage**

If applicable. Do not include AVC - Additional Voluntary Contributions – data. I.E. Do not include data concerning contributions made in respect of members' arrangements with the Nationwide or Prudential

~ **Total employee contributions paid**

Please add together Basic and Additional contributions and those paid in respect of pensionable emoluments and provide one figure per member, per employment only (see first bullet point overleaf). If contribution arrears, Part Time Buy Back instalments or any other ad hoc amounts are being paid, please do not include these in the total employee contributions figure, but provide a separate note detailing the member's name and National Insurance Number, the reason and the amount paid in the year. Alternatively, a notes column (see below) may be used for this purpose. AVCs - Additional Voluntary Contributions - must NOT be included on the contribution return or any separate note. I.E. Do not include data concerning contributions made in respect of members' arrangements with the Nationwide or Prudential.

Do not include in this column any contribution payments made in order to buy back service in respect of strike days. These should be detailed separately in the 'Notes' column (see below).

~ **Total employer contributions paid**

~ **Date of leaving**

If this is on or before 31<sup>st</sup> March, please use the format DD/MM/YYYY **and** format the field/column on the electronic return as **text**. A date of leaving should only be included if the member has left the Scheme

~ **Contract hours as at 31<sup>st</sup> March or date of leaving if earlier**

This should be in a decimal format. I.E. 7 hours 45 minutes should be shown as 07.75. Both the hours worked per week and the whole time equivalent should be given in the same field. For example some one who worked 7 hours 45 minutes per week at 31<sup>st</sup> March and for whom the whole time equivalent per week was 37 hours should be entered in one field as follows: 07.75/37.00. Please quote the number of weeks worked per year including annual leave entitlement if this is less than 52

~ **Notes**

A field containing informative notes and amounts such as '£650.70 Part Time Buy Back', '£35.40 arrears for 02/03 paid' etc can be included (See 'total employee contributions paid' above. A code system may be used. **This field should be used to advise the LPFA of the amount of any strike contributions paid.**

**Please note that:**

- **there should be only one record per member, unless they have two or more separate employments when there should be one record per employment with an identifying indicator.** The member's payroll number and joining date could be used for this purpose.
- **the return should clearly identify the employer.**  
If more than one employer's members are included on the return, each member's details should also include the relevant LPFA employer code in a separate field. The employer code is the last three digits of the reference given on the accompanying letter.
- **the pensionable remuneration and total employee and employer contributions paid columns should be totalled at the bottom of the return for each employer.**
- **where an employer has more than 20 members, the return must be submitted in an electronic print format (ASCII), in one file/worksheet on any of the following media: floppy disk, zip disk or CD, or via e-mail.**  
If the data can be supplied as an Excel file this will be helpful. If possible please provide a hard copy. A hard copy should contain the same data in the same fields for reference. The LPFA will use the electronic file for checking and processing purposes. Files should be named using the convention 'employer code/year' **and be password protected. Please provide the password by separate email or by telephone to the contact named on the accompanying letter.** All e-mails will be acknowledged on receipt. The appropriate email address for submission of your return is **valuation@lpfa.org.uk**.
- **where an employer has less than 20 members, a form for completing the required information is available from the LPFA if preferred.**  
The form has been enclosed with this specification where believed to be appropriate.
- **the contribution return for each employer must be submitted to the LPFA by 30<sup>th</sup> April.**  
If you are preparing returns for more than one employer, it will be helpful if each employer's return could be sent separately as it becomes available.

**NB: For members whose hours vary each week please see the average specification below**

## Average Hours Specification

---

Please provide the following information in separate fields for members whose hours vary each week and who require average hours to be recorded for the year 1<sup>st</sup> April 2003 to 31<sup>st</sup> March.

- ~ **National Insurance Number**  
Please use the format AANNNNNNA – do not include any spaces between the alpha and numeric characters.
- ~ **Payroll number**
- ~ **Paygroup details**  
If you operate more than one payroll
- ~ **Date of joining the Scheme in this employment**
- ~ **Surname**  
Please provide the return in alphabetical order.
- ~ **Initials**
- ~ **Average hours worked per week over the year**  
This should be in a decimal format. I.E. 7 hours 45 minutes should be shown as 07.75. Both the average hours worked per week and the whole time equivalent should be given in the same field. For example, some one who averaged 7 hours 45 minutes per week over the year and for whom the whole time equivalent per week would be 37 hours, should have their details entered in one field as follows: 07.75/37.00  
  
Where a member joined or left part way through the year, care should be taken to average the hours over the period of the year that they were a member, rather than over the whole year.  
  
Non contractual overtime should not be included.
- ~ **Date of leaving**  
If this is on or before 31<sup>st</sup> March, please use the format DD/MM/YYYY **and** format the field/column on the electronic return as **text**. A date of leaving should only be included if the member has left the Scheme.
- ~ **Notes**  
A field containing informative notes may be helpful. A code system may be used.

### Please note that:

- **there should be only one record per member, unless they have two or more separate employments when there should be one record per employment with an identifying indicator.**  
The payroll number, paygroup details and date of joining the Scheme can be used for this purpose.
- **the return should clearly identify the employer.**  
If more than one employer's members are included on the return, each member's details should also include the relevant LPFA employer code in a separate field. The employer code is the last three digits of the reference given on the accompanying letter.

- **where an employer has more than 20 members, the return must be submitted in an electronic print format (ASCII), in one file/worksheet on any of the following media: floppy disk, zip disk or CD, or via e-mail.**  
If possible please provide a hard copy containing the same data in the same fields for reference. Excel is the preferred programme. The LPFA will use the electronic file for checking and posting purposes. Files should be named using the convention 'employer code /average hours /year' and be password protected. Please provide the password by separate email or by telephone to the contact named on the accompanying letter. All e-mails will be acknowledged on receipt. The appropriate email address for submission of your return is [valuation@lpfa.org.uk](mailto:valuation@lpfa.org.uk)
- **the return for each employer must be submitted to the LPFA by 30<sup>th</sup> April.**  
It will be helpful if each employer's return could be sent separately as it becomes available.

## APPENDIX 6

### BOOKLETS

'The Choice The Guide' *Updated October 2004*

'Leaving the Local Government Pension Scheme' *Updated August 2004*

'Increasing Your Pension Scheme Benefits' (incorporating various forms) *Updated January 2005*

'A Charter for Our Customers' *Updated January 2003*

'A Charter for Our Pensioners' *Updated July 2004*

'Information for New Pensioners' *Updated July 2004*

'Guaranteed Minimum Pension' *Updated August 2001*

### FORMS IN USE:

LG/1	Form for completion by a person offered employment in which they are eligible to join the Local Government Pension Scheme
LG/101	Notification of termination of employment of a <i>pensionable employee</i> .
LG/102	Notification of <i>final pay</i> .
LG/103	Ill health retirement declaration.
LG/104	'Nomination of beneficiary for the payment of death grant'
LG/109	'Leaving the Local Government Pension Scheme'. Explanatory leaflet and form to be given to an <i>active member</i> on ceasing employment.
LG/172	Notification of change in contractual hours.
LG/210	Notification of absence from work.
LG/211(UL)	Form to be given to an <i>active member</i> who is granted unpaid leave or leave on reduced pay for more than 30 days.
LG/211(MA)	Form to be given to an <i>active member</i> who is on unpaid maternity, paternity and adoption absence.
LG/211(TD)	Form to be given to an <i>active member</i> who is absent due to a trade dispute (strike)
LG/212	Notification of resumption of duty after a period of Leave of Absence.
LGPS/X	Election by an <i>active member</i> to cease Scheme membership.
LG/221	Monthly contribution remittance advice.
LG/TAX1	Notification to Tax Office of a new pensioner.

## ***APPENDIX 7***

### ***COMPLAINTS PROCEDURE***

The LPFA aims to satisfy any complaint that you may have and is interested in suggestions on how our service can be improved.

If you have reason to make a complaint:

- Feel free to contact any member of staff
- If you prefer contact Miss Terri Langwith our Customer Services Officer, who provides an independent avenue for complaint within the LPFA and can help you make your complaint
- Our address is: Dexter House, 2 Royal Mint Court, London, EC3N 4LP
- LPFA pension team's telephone number is: 0207-369 6118  
Our fax number is: 0207-369 6111  
Terri's telephone number is 0207-369 6061
- Complaints may be made in writing, by telephone, email or fax, or by personal visit to our office (no appointment necessary)
- If you wish you may ask a friend, relative or body such as the Citizens Advice Bureau to make your complaint on your behalf or help you with it
- Your complaint will be treated seriously, courteously, sympathetically, fairly and confidentially no matter how many times you may have complained previously
- Where possible all complaints will be answered within five working days
- Where this is not possible an acknowledgement will be issued within five working days to advise you of progress and an expected date for providing the answer
- If at any time you have reason to believe your complaint is not being thoroughly and objectively investigated you can contact Peter Scales, Chief Executive, at our address, or any member of the Board, who will ensure that the matter is re-investigated
- Board Member details will be made available on request and are published annually in the Fund Members Report and the Annual Report and Accounts
- All complaints are monitored, analysed and action taken, where appropriate, to improve our service
- Results are reported to the Board every three months and are published annually in the Fund Members Report

In addition to our Complaints Procedure, under the Local Government Pension Scheme, if you are in any doubt about your benefit entitlements, or have a problem or question about your LGPS membership or benefits, please contact the LPFA Pensions Team. They will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.

## *Internal Dispute Resolution Procedure*

### **Internal Disputes Resolution Procedure**

If a member is still dissatisfied with any decision made in relation to the Scheme they have the right to have their complaint independently reviewed under the Internal Disputes Resolution Procedure. The Scheme is well regulated and there are also a number of other regulatory bodies that may be able to assist them. The various procedures and bodies are given below.

In the first instance the member should write to the person nominated by the body who made the decision about which they wish to appeal. They must do this within six months of the date of the notification of the decision about which they are complaining. The nominated person will consider the member's complaint and notify the member of his / her decision. If the member is dissatisfied with that person's decision, they may, within six months of the date of the decision, apply to the LPFA to have it reconsidered. A leaflet explaining the Internal Disputes Resolution Procedure for members, in detail, is available on request from the LPFA.

To avoid any unnecessary effort on the member's behalf employers should welcome the opportunity to attempt to resolve with them the matter with which they are dissatisfied before they resort to a formal complaint.

Should the employer fail to resolve a complaint the member may wish to contact the Occupational Pensions Advisory Service (OPAS) or the Pensions Ombudsman. Contact details are given below.

More specific guidance on dealing with IDRPs is available separately from LPFA but employers should note that they might also need to maintain an IDRPs procedure to deal with potential disputes outside of the LGPS. These would arise if, for example, the member has been granted discretionary added years upon early retirement and subsequently disputes anything connected with those added years.

For employer's information a copy of the LPFA's own procedures covering IDRPs, as approved by its Board in March 2004, are outlined in the following section. Employers may find this useful in preparing their own procedures. Any questions regarding this note or its attachments can be referred to Phil Goodwin, Director of Pensions Operations, LPFA in the first instance.

- **The Occupational Pensions Advisory Service (OPAS)**

OPAS is available at any time to assist members and beneficiaries of the Scheme in connection with any pensions query they may have or any difficulty which they cannot resolve with their scheme administrators. OPAS can be contacted at:

11 Belgrave Road  
London  
SW1V 1RB

Telephone 0845 601 2923

- **Pensions Ombudsman**

In cases where a complaint or dispute cannot be resolved after the intervention of OPAS, an application can be made, within three years of the event, to the Pensions Ombudsman for an adjudication. The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme or matters of fact or law and his or her decision is final and binding. Matters where legal proceedings have already started cannot be investigated. The Pensions Ombudsman can be contacted at:

11 Belgrave Road  
London  
SW1V 1RB

Telephone 0207 834 9144

- **Occupational Pensions Regulatory Authority (OPRA)**

OPRA's task is to ensure that occupational pension schemes operate within the law. Their role is to investigate and take action where there is carelessness, negligence or dishonesty that could damage the security of occupational pension schemes. OPRA can be contacted at:

Invicta House  
Trafalgar Place  
Brighton  
East Sussex  
BN1 4DW

Telephone 01273 627 600

## *Internal Dispute Resolution Procedure – LPFA’s Arrangements*

### **APPOINTED PERSONS**

1. The LPFA determines the following are persons of suitable experience and standing to be appointed to consider and determine relevant disputes raised in accordance with Pensions Act 1995 and the LGPS:
  - a. Each of the Principal Officers and Assistant Directors for the time being.
  - b. Its Chair of the Board and of its Performance Committee.
  - c. Mr Edwards of the LGPC.
2. Each Appointed Person shall hold that office without remuneration and shall be treated, while they are lawfully acting as such, as an employee of the Authority. The LGPC shall, however be entitled to reimbursement for the time and expenses incurred by Mr Edwards while acting as an Appointed Person for the LPFA. Mr Edwards is entitled to resign from this appointment with LPFA without notice.
3. Any relevant dispute that falls to be considered shall normally be dealt with by either the LPFA’s Director of Pensions Operations or one of the Assistant Directors. Mr Edwards will normally be involved only where it is impracticable, because of prior involvement, for the dispute to be considered by another of the LPFA’s Appointed Persons.
4. No Appointed Person shall consider a dispute if they have previously been directly involved with its processing. In considering a dispute the Appointed Person shall be free to take such other advice or guidance as they feel necessary in order to reach a decision. Where the dispute involves a medical question (providing it was originally properly considered by a suitably qualified and independent medical practitioner – as defined in the LGPS) the Appointed Person shall be under no obligation to take a further medical opinion unless he believes there to be procedural failing in the appointment or reference to the original medical advisor.
5. Any person who wishes to raise an IDRPs must do so in writing to the LPFA stating the reasons for the dispute and, if they are not the complainant in person, their relationship to the complainant. If a third party is acting on behalf of a complainant, appropriate signed authority to do so by the complainant must be produced. All disputes will, in the first instance, be directed to the Director of Pensions Operations (DoP). The DoP will then either proceed to deal with the dispute personally or, depending on the nature of the case, allocate it to another of the LPFA’s Appointed Persons for consideration.
6. Each party to the dispute must be given the opportunity to state their case and comment upon representations made by the other. All IDRPs will be dealt with by correspondence and, normally, for conclusion within 2 month’s of receipt of the initial dispute. However where that timescale becomes impracticable, the complainant will be informed accordingly. In considering the dispute, the Appointed Person will not be required to determine upon aspects of potential maladministration (these are matters for the Pensions Ombudsman). The role is only to determine the accuracy, or otherwise, of application of the prevailing provisions of either the LGPS or relevant “Discretionary Payment” legislation.
7. Where a dispute involves a decision specifically vested in an employer upon a discretionary basis by either the LGPS or the “Discretionary Payment” legislation, the Appointed Person’s role is to consider only the reasonableness of the decision reached, including the appropriateness of the factors relied upon in reaching the decision. Where fault is found it is not open to the Appointed Person to substitute his own decision. Instead he/she must determine that the matter be re-considered on an appropriate basis by the employer.

8. The Appointed Person must, in due course, supply a written determination on the dispute raised. This should include reference to any legislative provision upon which the decision is based. The decision must also provide the complainant with full contact details should the matter remain disputed.
9. This will either be:
  - (a) another LPFA Appointed Person dependant upon whether the dispute is currently at “Stage 1” as provided in the overriding legislation, or
  - (b) the Office of the Deputy Prime Minister (as regards “Stage 1” LGPS disputes initiated before 1<sup>st</sup> June 2004, or
  - (c) the Pensions Ombudsman (on conclusion of a “Stage 2” dispute), and
  - (d) OPAS upon determination of any stage of a dispute.
10. If, in considering a dispute, an Appointed Person believes that, based on published Pensions Ombudsman’s decisions, the complainant would be awarded a sum of compensation by the Ombudsman upon the circumstances of the dispute, then a sum similar to that which would likely be awarded by the Ombudsman may be paid on an ex-gratia basis. Such ex-gratia amounts shall not exceed £500.
11. The Appointed Person shall maintain full records for a minimum period of three years following his determination. The LPFA will maintain a central record of the number of all disputes raised, their nature and method of resolution.

## **APPENDIX 8**

### **APRIL 2004 UPDATE FOR LPFA EMPLOYERS REGARDING DISCRETIONS**

#### ***Discretions***

Both the LGPS itself and attendant discretionary payment legislation provide that certain decisions vest in employers on a discretionary basis. Additionally certain decisions under the LGPS specifically vest in the LPFA as the Administering Authority. Generally any “cost” attached to an employer’s decision is recharged to that employer.

Upon the introduction of the LGPS 1997 regulations (April 1998) all Scheme employers, and LPFA as Administering Authority, were required to specifically consider a number of new areas and to publish policies accordingly. At the time LPFA issued specific “briefing notes” to all employers regarding the new discretions they needed to consider, and also notified employers of the decisions LPFA had reached both as an Employing and an Administering Authority under the LGPS.<sup>1</sup> Both the LGPS and attendant discretionary payment legislation require such policy decisions to be reviewed from time to time.

The LPFA has recently reviewed all of its discretionary policies (both as an Employing and as an Administering Authority) and confirmed that its previous policies remain appropriate.

Details of all LPFA’s discretionary policy decisions, both for information and as guidance for employers in reviewing existing practice follow this note.

Paragraphs 1 to 8 relate to discretionary policies that employers should ensure they have in place. You do not need to follow the LPFA policy but it is shown for your information.

Paragraphs 9 to 16 show those aspects where employers may prefer to make a policy in advance of specific cases arising. LPFA policy is shown for information but employers do not need to follow the LPFA policy.

Paragraphs 17 to 18 are policies employers may prefer to make relating to “Early” Retirements (Discretionary Payments Legislation)

Paragraphs 19 to 21 relate to Administering Authority discretions that the LPFA can take regarding the Fund as a whole. The policy decisions taken are shown.

Paragraphs 22 to 41 relate to Discretionary Provisions For LPFA as an Administering Authority transferred from The Local Government Pension Scheme Regulations 1995 to the current regulations.

When a discretionary policy is first set it should be published. If you make a discretionary policy (or amend an existing one) it should be advertised within your organisation.

*Prepared by LPFA April 2004*

---

<sup>1</sup> Copies of the original briefing notes and the original decisions reached by LPFA both as an Employing and as an Administering Authority are available on request.

## ***Discretionary Provisions for Employing Authorities first introduced under LGPS 1997 Regulations***

LPFA policies as an employer under the 1997 Regulations –

### **1) Widower's Buy-Back**

The LPFA will treat any widower's buy-back election existing on 31<sup>st</sup> March 1998 as completed but will not extend the relevant time limits in respect of any other case.

### **2) Early Payment of Benefits ~ members request ~ between age 50 and 59**

- (a) A request for early payment of benefits received from a current employee will be accepted only with the consent of the Board and only if there is a clear financial or operational advantage for the Authority in so doing.
- (b) A request for early payment of deferred benefits other than on grounds of permanent ill-health or compassion received from a person who was last a member of the Fund as an LPFA employee at some time after 31<sup>st</sup> March 1998, will be accepted only where there is no financial disadvantage to the Authority.
- (c) A request for early unreduced payment of benefits on compassionate grounds (i.e. waiving of percentage reduction in respect of early retirement on compassionate grounds), will be accepted only where the former member is prevented from full-time working due to the need to care for a dependant.

Further that decisions regarding early payment of deferred benefits are, within the above policy, delegated to Principal Officers.

### **3) Increase of Service- During employment or upon leaving (Augmentation)**

The LPFA will award discretionary added service only with the prior approval of the Board and only where there is a clear financial or operational advantage to be gained by the Authority by so doing.

### **4) Increase of Service for New Members**

That, subject to Board approval, the Authority will award additional service upon recruitment only if it has experienced recruitment difficulty for the specific post and if the award of such service will secure a suitable recruit.

### **5) Shared Cost Additional Voluntary Contributions (SCAVC's)**

That the Authority will not establish SCAVC arrangements for its employees.

**6) Certificates of Protection**

That the Authority will issue a Certificate of Protection whenever the pay of an employee is reduced or frozen as provided under the Local Government Pension Scheme Regulations.

Further that the decision to issue such a Certificate is delegated to Principal Officers.

**7) Reduction of Suspension of Contributions After 40 Years' Service**

For so long as the LGPS restricts reckonable service to no more than 40 years at age 60 and subject to specific approval by the Board in each case, the Authority has resolved to reduce the ongoing contribution required from any of its employees who attain 40 year's local government service in accordance with advice received from the Fund's actuary.

**8) Augmentation of Existing PRC Payments**

The Authority will not augment local government scheme benefits on account of existing entitlements to Premature Retirement Compensation.

*NB: This provision has been deleted from the LGPS wef 1.4.04 at which date this policy became spent.*

## *Aspects where employers may prefer to make a policy*

LPFA policies as an employer under the 1997 Regulations –

**9) Re-joining the Scheme more than once**

The authority accepts such requests.

**10) Identification of pensionable pay to be included in employee's contract**

Principal Officers are authorised to deal with this aspect under delegated authority so as to exclude exceptional payments (e.g. lump sum bonus) from pensionability.

NB: this facility is removed from the LGPS wef 1.4.04 at which date this policy will be spent as respects any payments thereafter except where they arise under a mechanism first agreed before April 2004.

**11) Extension of 30 day time limit for member to elect to pay contributions for a period of absence**

LPFA will allow these where it was impracticable for the member to have elected sooner.

**12) Exclusion of right to return of contributions (cases of misconduct)**

Consider each case separately. Any case arising will be referred to the Board.

**13) Employing authority to choose which benefit is payable if the member does not do so within three months to prevent double entitlement in respect of same service**

Policy is to decide the most favourable manner to the member.

**14) Forfeiture of pension rights on issue of Secretary of State's certificate**

Consider each case separately. Any case arising will be referred to the Board.

**15) Recovery of monetary obligation by former employee**

Consider each case separately. Any case arising will be referred to the Board.

**16) Discretion to extend any other time-limit within the LGPS**

Any other time-limit for consideration not specifically considered above will fall to Principal Officers for consideration on terms that they would have otherwise recommended the Board to accept.

## ***Specific policies for each Employing Authority relating To “Early” Retirements (Discretionary Payments Legislation)***

### LPFA Policies as an Employing Authority

#### **17) Upon retirement**

That in each case of redundancy or cessation of employment on the grounds of the efficiency of the service, consideration will be given on the merits of each case at the time, recognising the need for the Authority to achieve financial or organisational efficiency within a reasonable time scale. Severance payments will be determined by the Board, having regard to:

- (a) The statutory discretions then available;
- (b) The overall costs attached to the proposed severance arrangements;
- (c) The potential savings in employment costs if the severance proceeds; and
- (d) The likely re-employment prospects in similar employment.

#### **18) Regarding re-employment**

That in relation to a person who has been awarded discretionary annual compensation and who subsequently obtains re-employment with an LGPS employer:

- (a) The Authority will affect reduction in the ongoing level of compensation payable, both during and subsequent to the period of re-employment, in accordance with the principles which are for the time being, set out in the appropriate regulations so as to achieve no overall financial betterment by virtue of the re-employment.

In respect of a spouse of a person who was both in receipt of annual compensation and who ceased employment before 1<sup>st</sup> April 1998, the Authority will continue to make payment of spouse’s compensation during any period of remarriage or cohabitation.

## ***Discretionary Provisions for Administering Authorities first introduced under LGPS 1997 Regulations***

LPFA policies as an Administering Authority under the 1997 Regulations

### **19) Augmentation of LGPS benefits (Payment into Fund by employers)**

The LPFA will require that the cost to the Fund attributable to an employer's decision to award additional pension scheme benefits or to augment existing premature retirement compensation payments, will be satisfied by way of a lump sum payment by the employer to the Fund.

**NB: Augmentation of existing premature retirement compensation payments has been deleted from the LGPS wef 1.4.04 at which date this policy became spent.**

### **20) Continuation of Spouses' Pension on Cohabitation or Re-marriage**

The LPFA will not suspend payment of a spouses' pension on account of co-habitation or re-marriage commencing on and after 1<sup>st</sup> April 1998.

### **21) Re-Employed Pensioners**

The LPFA will not abate the pension payable on account of re-employment with any employer that commences on or after 1<sup>st</sup> April 1998, except where the pensioner could re-enter the Local Government Pension Scheme, and

- (a) the pension was originally put into payment before the pensioner had attained age 60 years or
- (b) the pensioners overall retirement benefits were originally enhanced as a consequence of redundancy, efficiency or ill-health retirement and,
- (c) the pensioner's overall income upon commencement of re-employment by way of re-employed earnings and annual retirement benefits otherwise payable exceeds the level of pensionable earnings of the relevant former employment.

In considering the implications of such re-employment, the Authority will, unless circumstances dictate otherwise, follow the Principles relating to re-employed pensioners contained within the Local Government Pension Scheme Regulations 1995.

***Discretionary Provisions for LPFA as an Administering Authority transferred from The Local Government Pension Scheme Regulations 1995 to the current regulations***

**22) Approval of employer's medical advisers for ill health retirement**

Currently any independent suitably qualified (as specified within the LGPS regulations) medical advisor chosen by the employer is acceptable to the LPFA.

**23) Passing of resolutions to require a satisfactory medical before agreeing to added years contracts**

Policy is to require satisfactory evidence of health (usually a simple declaration that the member's life expectancy with regard to age is not known to be abnormal).

**24) Extension of three month period for a member retiring on redundancy or efficiency grounds to opt to capitalise a whole cost added years contract**

Allow where it was not practicable for the member to have elected within the three month period.

**25) Specification of a minimum additional voluntary contribution payment**

A minimum payment of £10 a month is currently required..

**26) Commutation of small pensions**

Policy is to require this, subject to Inland Revenue restrictions, in order to minimise costs.

**27) Commutation as a result of exceptional ill health**

Policy is to commute such pensions upon request of the pensioner or where, if the pensioner is unable to elect, if it is likely to be to the pensioner's overall advantage to do so.

**28) Apportionment of children's pensions where there is more than one child**

Policy is to apportion the total value of childrens' pensions equally amongst all eligible children.

**29) Payment of a child's pension to another person for the benefit of the child**

Policy is to provide payment to a relevant parent unless there are other circumstances to be recognised.

**30) Ability to treat a child's education as continuing and to ignore a break**

Policy is to ignore breaks of less than a complete year (September ~ August).

**31) Beneficiaries for payment of death grants (Revised November 2005)**

A death grant will usually be paid in accordance with the member's nomination or, where there is no nomination, to the legal personal representatives. However where it is considered that:

- a) An existing nomination may no longer reflect the member's intentions (for example there is a

subsequent marriage, divorce or children) or,

b) there is a deserving recipient otherwise excluded by payment to the Estate or,

c) payment to the Estate may be inappropriate for other reasons (for example where inheritance tax may be a factor if payment were made to the Estate).

Payment may be made in the manner and proportions LPFA believe appropriate in the circumstances of the case.

**32) Election of different final pay period to be used if to the advantage of a deceased member**

Policy is to choose the most advantageous year.

**33) Ability to request a certificate of protection of pension benefits from an employing authority in respect of a deceased member**

Policy is to request such a certificate.

**34) Payment/recovery of CEP's**

Policy is to make payment on behalf of employers and to recover the relevant sum from sums otherwise due in respect of the member.

**35) Payment of CEP to Inland Revenue (previously DSS) or retention of monies in the LGPS to pay a small pension at State retirement age, where there has been a transfer out to a Contracted-in Scheme**

Policy is to pay CEP's where possible in order to reduce ongoing administration costs.

**36) Acceptance of transfer in**

In certain circumstances there is no requirement to accept a transfer of rights but the policy is to accept them since the transfer payment meets the cost of resultant service credited.

**37) Re-instatement of widow's/widower's pension following termination of re-marriage or co-habitation**

Policy is to *reinstate such pensions*.

**38) Criteria for the approval of Admission Agreements with new employing authorities**

The Authority has established detailed procedures in this respect and each case is subject to specific consideration by the Board.

**39) Frequency of employer's payments to the Fund including employee and employer contributions and recharges from pensions payroll**

Policy is to require these to be paid over monthly .

**40) Frequency of information to accompany payments to the Fund by employers**

Policy is to require a full return of contributions (i.e. total paid relative to each named employee) to be submitted annually.

**41) Interest on late payments by employers**

Policy is to recover interest to the maximum extent permitted by the LGPS.