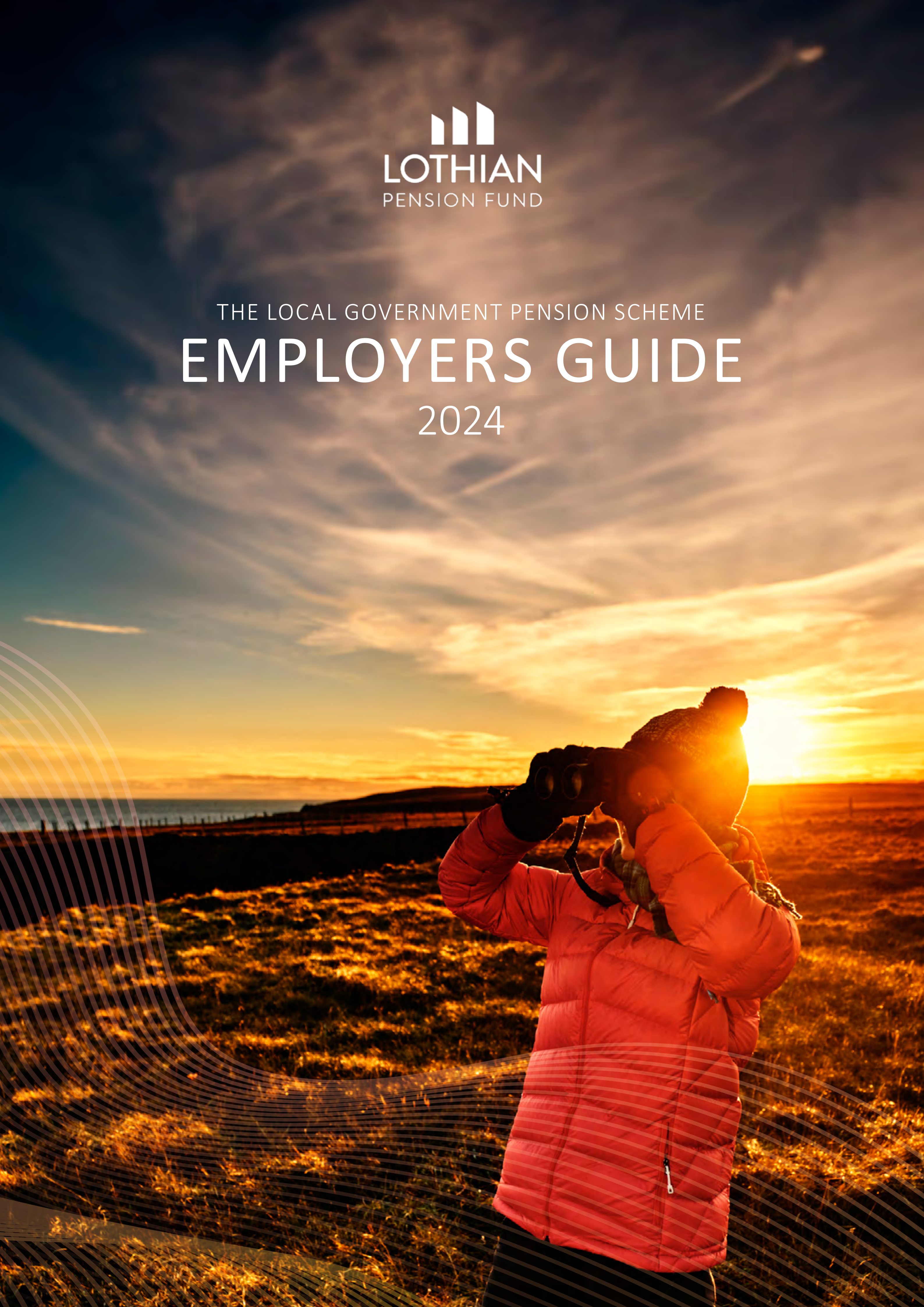
LOTHIAN PENSION FUND

THE LOCAL GOVERNMENT PENSION SCHEME

EMPLOYERS GUIDE

2024



INTRODUCTION

The Local Government Pension Scheme is a defined benefit pension scheme and is a valuable part of the pay and rewards package of employees who are entitled to join.

We've created this guide to help you, as an employer carry out your responsibilities in administering the Local Government Pension Scheme (LGPS).

This guide covers the most common situations that you're likely to come across when dealing with Pensions Administration. It's based on the Local Government Pension Scheme (Scotland) Regulations 2018, and other relevant legislation (please note that it can't replace or over-ride these statutory provisions). You'll also find outlines of the information required for each particular procedure and details of the forms to be completed. You'll find references to i-Connect and GoAnywhere throughout this guide:

- **i-Connect** is the portal used by employers when providing the monthly employer/employee contribution return as well as uploading leaver/retiral forms and associated documents

- **GoAnywhere** allows the Fund and employers to exchange documents and forms securely.

It's important that the procedures set out in this guide are followed closely. Keeping records up to date ensures a better service for both scheme members and employers.

Time limits and service standards for sending information to us are detailed in our Pension Administration Strategy (PAS). Reference is made to these time limits in the appropriate sections of this guide.

For more information on any of the topics outlined here, or for anything that hasn't been covered, please contact:

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NEW EMPLOYEES

The Local Government Pension Scheme is a career average salary pension scheme to which both employer and employee contribute. You may therefore wish to promote access to the scheme as an employee benefit at the earliest stage of recruitment.

New employees, who have a contract of three months or more, must be enrolled directly into the scheme. Those with contracts for less than three months can ‘elect’ to join.

We’ll provide new employees with a welcome letter and new start pack. This pack will provide details of how the member can register for ‘My Pension Online’ and a quick guide to the LGPS. More information can also be found on our website www.lpf.org.uk.

If an employee doesn’t want to be part of the pension fund, the ‘welcome letter’ explains how they can opt out. If the employee opts out within three months of starting employment their contributions should be refunded, and they should be treated as if they’ve never joined the scheme. Please let LPF know by completing the ‘Optout – refund through payroll’ form located in the ‘Guides and Forms’ folder on GoAnywhere, and it’s advised that a copy of the opt out form is kept for future reference.

To allow a pension record to be created for a new member, you must provide details of the new member and their employment. This is done through the monthly i-Connect submission.

All members must have a unique pension reference number and this number must be put on the submission. The unique reference number will normally be the employee’s payroll number unless some other agreement has been made with us. This must be done as soon as possible after the date of joining and no longer than 20 working days after the end of the month in which the member joins the scheme, in line with our Pension Administration Strategy (PAS).

SCHEME CONTRIBUTIONS

The LGPS is a contributory pension scheme; both scheme employers and scheme members are required to contribute to the scheme.

MEMBER’S CONTRIBUTIONS

The member’s contribution rate is a set percentage of their pensionable pay and the percentage payable is determined by their scheme employer at 31 March each year. For new employees it will be the pensionable pay when starting employment. Employers are responsible for deciding which rate of contribution applies to a new scheme member and are also responsible for resolving any disputes with members about which rate applies to them.

The amount of contributions payable by an employee will be the percentage set for their rate of pay against the table of tiered contribution rates provided by the Scottish Public Pensions Agency (SPPA). The current year table will be saved each year in the “Guides & Forms” folder on GoAnywhere and will include guidance on how to use them. The tables are updated in line with Pensions Increase legislation on an annual basis by the SPPA.

EMPLOYER’S CONTRIBUTIONS

Every three years a valuation of the pension fund is carried out. As a result of this valuation, the scheme actuary determines the contribution rate to be paid by each employer. The actual rate varies each year but will be shown in a schedule in the actuary’s valuation report. This report will be provided to all employers as soon as it becomes available and can also be viewed on-line [here].

CONTRIBUTIONS REMITTANCE

The contributions paid by the employer and the employee are invested in a fund to provide investment income, which helps fund the scheme. To ensure that contributions can be invested as soon as possible, it's vital that contributions are collected and remitted by you, the employer in good time.

The monthly contributions submission is made through i-Connect and should be completed and submitted each month at time of payment. The monthly contribution submission is used to reconcile the contributions paid over by each employer in respect of member and employer contributions. This is done for audit purposes.

You can find instructions on how to complete the Monthly Contribution Return either by:

- Online Return
- File Upload

Payment should be made by BACS or CHAPS to the following account:

Lothian Pension Fund No2 Account
The Royal Bank of Scotland
36 St. Andrew Square
EDINBURGH
EH2 2YB

Sort Code	83-06-08
Account Number	11084829

You must make payment of scheme contributions by the 19th day of the following month.

For example: contributions deducted from pay in January must be remitted by the 19th of February at the latest and Additional Voluntary Contributions must be paid directly to the AVC provider by the employer within the same time limit.

There are strict time limits relating to the remittance of scheme contributions, which are set out in the Pensions Act 1995. Breaches of this limit must be reported to the Pensions Regulator, and to the scheme members affected. Employers can be fined for late payment by the Pensions Regulator, particularly if there's a history of late payment.

As an employer, you should also check your own contribution rate and ensure that the correct amounts are being paid, particularly at the start of a new financial year when contributions may change in line with the actuary's valuation of the pension fund.

If payment is late, then interest may be charged for late payment at 1% above base rate. This should be paid with the following month's contributions, with the amount clearly indicated as interest on the 'Employers Monthly Pension Contributions'. If interest isn't paid at this time, then an invoice will be raised for payment. However, if payment is received within 10 days of the time limit above (i.e. by the 29th of the month), and only one other payment has been paid late in the previous 12 months, then no further action will be taken.

Please let us know about any problems with contributions remittance as soon as possible by emailing employer.pensions@lpf.org.uk or phone George Kirk on 0333 996 1920.

50/50 SCHEME

The LGPS also offers a 50/50 scheme, where members can pay half their normal pension contributions and build up half their normal pension (1/98th accrual instead of 1/49th).

Members are automatically placed in the main section of the scheme but can elect to join the 50/50 section instead. Following this election, employers should deduct half of the member's normal pension contributions from the next available pay period.

Members still retain full life assurance and ill health cover when they're in the 50/50 section of the scheme. There's no limit on the number of times a member can elect to move between the main section and the 50/50 section of the scheme, and vice versa.

The election form can be found here. If the member has more than one job in which they contribute to the scheme they must specify in which one of the jobs they wish to move to the 50/50 section.

The 50/50 section is designed to be a short-term option and employers are required to re-enrol a member back into the main section of the scheme after their staging date for automatic enrolment purposes under the Pensions Act 2008.

A member in the 50/50 section who moves onto a period of no pay due to long term sickness or injury should be moved back into the main section of the scheme from the next pay period if they're still not in receipt of pay at that time.

The Employer continues to pay the normal contribution rate (not half their rate) for a member in the 50/50 section.

HOW ARE BENEFITS WORKED OUT?

Any pension built up in the scheme from 1st April 2015 is calculated on a Career Average Revalued Earnings (or CARE) basis. Members can take part of their pension as a tax-free lump sum, but they'll have to give up some of their pension for this.

From 1 April 2015 members will build up a pension of 1/49th of their pensionable pay or assumed pensionable pay (APP) each scheme year and this will be added to their Pension Account.

The amount of pension in the account will be re-valued every year to keep it in line with the cost of living – currently measured by the Consumer Prices Index (CPI). Members who have more than one job in the LGPS will have more than one Pension Account – one for each of their jobs.

For any period of membership in the 50/50 section the pension will build up at half the normal rate. For membership before 1 April 2015, the member will have built up benefits in the final salary scheme. The pension earned will be worked out as:

For service before 1 April 2009:

Pension = **final pay** x **membership** ÷ **80**

Lump sum = **pension** x **3**

The option to give up some pension for a bigger lump sum is available.

For service from 1 April 2009 to 31 March 2015:

For those who joined the Scheme for the first time on or after 1 April 2009, benefits are worked out as:

Pension = **final pay** x **membership** ÷ **60**

For members who were in the scheme before and after 1 April 2009 the two amounts of pension and tax-free lump sum will then be added together to give the total final salary benefits.

FINAL PAY

As membership prior to 1 April 2015 is subject to a 'final salary' scheme, final pay must be calculated and provided by employers in the following circumstances:

- When an employee leaves the scheme and has more than two years' scheme membership
- Death in service
- Family Law Act calculations
- On retiral
- When requesting retiral quotes.

The Final Pay is the member's full-time equivalent pay for their final year (365 days) of membership. If either of the two previous years' pays are higher, please provide these figures as well (this is particularly relevant if an employee received additional pensionable payments that can fluctuate from year to year).

If the member has service before 31 March 2015, in all instances this figure must be provided. If all service is after 1 April 2015, then this figure doesn't need to be provided but may be requested by us if the member has completed a previous transfer of pension rights.

For example, if the member left 31st July 2022:

The year ending with the last day of membership would be from the 01/08/2021 to 31/07/2022.

For the previous year's pay, the dates would be from 01/08/2020 to the 31/07/2021.

For two year's previous pay, the dates would be from 02/08/2019 to 31/07/2020 due to leap year.

- pay doesn't include non-contractual overtime
- pay should be uprated to a full time equivalent (FTE) if the member is part time

The final pay:

- Doesn't include non-contractual overtime
- Should be uprated to a full time equivalent (FTE) if the member is part time
- Should be sessionalised using the sessionalised Rate of Pay. For details on this please see below
- Should include any additional pensionable payments that are paid to the employees
- May be required by LPF in cases where a member has transferred in previous final salary benefits
- Should include any back dated pay awards should be included within the FTE for the dates the award should have been applicable from.

If the relevant period includes a period of sick pay where the employee was on half or no pay, the reduction in pay should be ignored. The final pay calculation should show the pay the employee would have received had they not been sick.

FINAL PAY

An example on how to calculate the final pay when the member had a change to their rate of pay three times throughout their last 365 days in employment is shown below:

@ 01/08/2021 = **£20,000** @ 01/12/2021 = **£22,000** @ 01/04/2022 = **£24,000**

The FTE would be calculated by:	
01/08/2021 to 30/11/2021 = 122 days	£20,000 / 365 x 122 = £6,684.93
01/12/2021 to 31/03/2022 = 121 days	£22,000 / 365 x 121 = £7,293.15
01/04/2022 to 31/07/2022 = 122 days	£24,000 / 365 x 122 = £8,021.92
Therefore final pay = £6,684.93 + £7,293.15 + £8,021.92 = £22,000	

CARE PAY / PENSIONABLE PAY

From 1 April 2015, the pension scheme changed from a Final Salary scheme to Care Average Revalued Earnings (CARE) scheme. The CARE pay is the actual pay that the member has paid pension contributions on within the last scheme year. Scheme years run from 01/04 to 31/03 each year. We only request that employers confirm the last two scheme years of CARE pay as these are checked by the Fund at year end each year. If the member had a period of reduced pay due to sickness or paid parental leave, then the Assumed Pensionable Pay for these periods should always be provided.

For example, if the member joined the scheme on 1 April 2018, and then left 31 July 2022, then we would require the pays for the scheme years of 21/22 and 22/23, as these were the last two scheme years they were a member in.

For 22/23, the period would be from 01/04/2022 to 31/07/2022.

For 21/22, the period would be from 01/04/2021 to 31/03/2022, as the member was in the scheme for a full scheme year.

- The CARE Pay / Pensionable Pay should include non-contractual overtime where pension contributions have been paid
- The CARE Pay / Pensionable Pay should still be included in cases of sickness, reduced pay (for instance due to sickness or paid parental leave). Please use the Assumed Pensionable Pay here for the relevant period. You should notify us if you've used the APP to calculate the CARE pay, and confirm the reason why in the additional comments section
- For a back dated pay award, the payment should be included within the year it was paid to the member, not when the member was due to receive it.

SESSIONAL PAY/TERM-TIME WORKING

This is an arrangement whereby the employee works a set number of weeks per year on either a full or part time basis. Working weeks may coincide with school / university terms. As the employee is only required to work certain weeks throughout the year, the member's pay is proportioned so that they receive a consistent monthly amount throughout the year. The member must have a sessionalised Rate of Pay for payroll to successfully calculate the member's Final Pay. This may lead to LPF overstating member benefits if this isn't calculated correctly on leaver forms and at year end. Employers should include any holiday weeks which the member is paid for – for instance a member working 42 weeks may have 3.4 weeks holiday, therefore the rate of pay should be based on 45.4 weeks' pay (42 + 3.4).

Example 1:

If the member is working 42 out of 52.18 weeks of the year, the sessionalised rate of pay would be calculated using the rate of pay the member would be on were they working 52.18 out of 52.18 weeks.

£20,000 / 52.18 * 42 = **£16,098.12**

£16,098.12 would be the rate of pay the member was on that they received for this period. If the member is part time this would need to be proportioned further for CARE only, (this wouldn't be applicable for the Final Pay calculation as this is always the Full Time Equivalent).

Example 2:

If the member's rate of pay increased during their final year, this would need to be taken into account to calculate the member's FTE if they have final salary benefits.

£20,000 from 01/08/2021 to 31/12/2021 = 153 days

£20,000 / 52.18 * 42 = **£16,098.12**

£16,098.12 / 365 * 153 = **£6,747.98**

£22,000 from 01/01/2022 to 31/07/2022 = 212 days

£22,000 / 52.18 * 42 = **£17,707.93**

£17,707.73 / 365 * 212 = **£10,285.04**

£10,285.04 + £6,747.98 = **£17,033.02**

This is what we would expect the member's sessionalised FTE to be. This is the figure that would be used when calculating their final salary benefits.

THE DEFINITION OF PENSIONABLE PAY IN THE LGPS REGULATIONS

An employee's pensionable pay is the total of:

(a) All the salary, wages, fees, and other payments paid to the employee

(b) Any benefit specified in the employee's contract of employment as being a pensionable emolument.

But an employee's pensionable pay doesn’t include:

(a) Any sum which hasn’t had income tax liability determined on it

(b) Any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment

(c) Any payment in consideration of loss of holidays

(d) Any payment in lieu of notice to terminate a contract of employment

(e) Any payment as an inducement not to terminate employment before the payment is made

(f) 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

(g) Any payment in consideration of loss of future pensionable payments or benefits

(h) Any award of compensation (excluding any sum representing arrears of pay) for the purpose of achieving equal pay in relation to other employees

(i) Any payment made by the Scheme employer to a member on reserve forces service leave

(j) Payments for non-contractual overtime

(k) The amount of any supplement paid to an employee whose employment was transferred on 1 April 2010, under a staff transfer scheme, from the Scottish Administration to Learning and Teaching Scotland, in recognition of the difference in contribution rates between members of the principal civil service pension scheme and the Scheme (14)

(l) The amount of any supplement paid to an employee whose entitlement to a pension was transferred on 1 May 2010 from the SDS Scheme to the Scheme, in recognition of the difference in contribution rates between members of the SDS Scheme and the Scheme (15)

(m) The amount of any supplement paid to an employee whose employment was transferred on 1 October 2008, under a staff transfer scheme, from the Scottish Legal Services Ombudsman to the Scottish Legal Complaints Commission in recognition of the difference in contribution rates between members of the principal civil service pension scheme and the Scheme (16)

THE DEFINITION OF PENSIONABLE PAY IN THE LGPS REGULATIONS

(n) The amount of any supplement paid to an employee whose employment was transferred on 1 April 2011, under a staff transfer scheme, from the Scottish Administration to Social Care and Social Work Improvement Scotland, in recognition of the difference in contribution rates between members of the principal civil service pension scheme and the Scheme (17)

(o) Returning officer, or acting returning officer fees other than fees paid in respect of:

(i) Local government elections
(ii) Elections for the Scottish Parliament
(iii) Parliamentary elections
(iv) European Parliamentary elections.

It's important to note when calculating final pay for retirals (including estimate requests) and early leavers, the relevant period is usually the 365 days prior to date of leaving service, with the last day being the last day of employment. However, if either of the previous two years would produce a higher figure, this should be used instead. This is particularly relevant if an employee receives additional pensionable payments that can fluctuate from year to year.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

AVCs allow members to contribute more to their pension by paying-in to a separate AVC plan, as well as their main LGPS pension. This builds up a separate investment pot outwith LPF. Here are more details:

- AVCs are payable from age 55, either separately or alongside the main scheme benefits
- Pension contributions, including AVCs, are deducted directly from pay before tax so members can receive tax relief on their savings
- Members should be aware that the AVC plan is an investment, and the value can go down as well as up, so members may not get back what they put in
- Members can pay up to 100% of their pensionable pay (subject to other deductions made by the employer) into an AVC
- Members may wish to get independent financial advice about taking out an AVC
- Members can choose to pay a fixed amount or a percentage of their pay, or both, into an AVC, as long as it doesn't exceed 100% of their pensionable pay (subject to other deductions made by the employer)
- Members can vary their contributions or cease payment at any time and they can pay an AVC regardless of whether they're in the Main or 50/50 section.

Members can be directed to our website for further information and how to apply.

What can a member do with their AVC?

Members can use their AVC plan when their main LGPS benefits are taken to:

- Buy an annuity
- Increase their LGPS pension
- Take some or all of the AVC as a single tax-free lump sum
- Buy extra membership in the LGPS (AVC contracted has to have started prior to 30 June 2005).

Members who joined the scheme on or after 1 April 2015 can access their AVC fund separately to their LGPS benefits from age 55. Members won't be able to take the whole amount as tax free cash but could have the following options:

- Take cash lump sums – usually the first 25% of each cash withdrawal from the pot will be tax-free with the rest subject to tax (it's possible to take the full LGPS AVC plan as a tax-free lump sum, subject to certain conditions, if it's taken at the same time as the main LGPS benefits)
- Take the AVC as regular taxable income (flexi-access drawdown).

Alternatively, members can transfer their AVC to another pension plan even if they're still an active member of the main LGPS scheme. They must stop paying AVCs in any LGPS employment before transferring. Members holding more than one AVC plan must transfer all of their plans (even if they're held with different LGPS funds).

ADDITIONAL PENSION CONTRIBUTIONS (AVCS)

Additional Pension Contributions (APCs)

Members in the main section of the LGPS can pay additional contributions to buy extra pension. The most that a member can buy is £7,294 (23/24 rate). The extra pension can be bought by Additional Pension Contributions (APC's) over a number of complete years or by paying a lump sum.

The cost of buying extra pension depends on a member's age, how much yearly pension they buy and how they choose to spread the payments. If a member buys extra pension by paying regular contributions, the amount they pay each period may change in the future.may change in the future.

Members can't start an APC contract whilst in the 50/50 section of the scheme.

APCs purchase extra pension for the member only and not for additional dependants' benefits. The member will have to submit a medical certificate, obtained at their own expense, to apply for APCs.

APCs are based on the member working to their Normal Pension Age which is linked to their State Pension Age. If a member takes their benefits before this age, the APCs will be reduced.

Members who wish to purchase APC's should visit the LGPS 2015 APC Modeller and complete the online form. This form should be provided to the Fund unless the APC is shared cost (employee and employer) in which case it should be provided to the employer who should then forward to the Fund, confirming they're accepting that the cost will be shared.

Monthly contributions are subject to review by the scheme actuary and may change in the future.

SALARY SACRIFICE

Members and Employers entering into salary sacrifice arrangements should be aware of which arrangements affect a member's pensionable pay.

The following table below provides details of salary sacrifice arrangements, please contact the fund if you require further clarification.

Type	Can salary sacrificed be pensionable?	Comments
Childcare - workplace nursery provision	Yes	Value of the childcare benefit (i.e, the amount of salary foregone) should be specified in the employee's contract as being a pensionable emolument.
Childcare vouchers	Yes	Value of the childcare vouchers (i.e, the amount of salary foregone) should be specified in the employee's contract as being a pensionable emolument. If the vouchers are treated as pensionable, then there is an added twist that employee and employer pension contributions are automatically payable during the period of the "unpaid" AML period during which the employee is entitled to childcare vouchers.
Green schemes – provision of a cycle or cyclist's safety equipment	Yes	Value of the employer provided cycle or cyclist's safety equipment (i.e., the amount of salary foregone) should be specified in the employee's contract as being a pensionable emolument.
Green schemes – support for public bus services	Potentially yes	The value of the whole, or the relevant part, of the benefit should be specified in the employee's contract as being a pensionable emolument.
Mobile phones	Yes	The value of the mobile phone (i.e., the amount of salary foregone) should be specified in the employee's contract as being a pensionable emolument.
Canteen arrangements	N/A from 6 April 2011	Tax breaks removed from 6 April 2011.
Workplace parking	Potentially yes	The value of the benefit should be specified in the employee's contract as being a pensionable emolument.
Cars	No	

SALARY SACRIFICE

Type	Can salary sacrificed be pensionable?	Comments
Shared cost AVC	Yes	The employer contribution to the SCAVC (i.e., the amount of salary foregone) should be specified in the employee's contract as being a pensionable emolument. For those employers in the LGPS who trade and have taxable profits, a salary sacrifice SCAVC contribution will be allowable as a deduction in arriving at the employer's taxable profits. A SCAVC salary sacrifice could result in tax implications for the scheme member if the member breeches the Annual Allowance or, until 5 April 2011, if the member is a high earner with relevant income of £130,000 or more.
Salary sacrifice equivalent to employee's pension contributions	No	
Salary sacrifice for professional subscriptions	No	
Salary sacrifice for work-related training	No	
Sacrificing a pension in payment	No	

LEAVE OF ABSENCE FROM DUTY

Unpaid Leave

Members who are absent from work on authorised unpaid leave for a period of less than 31 days should have pension contributions deducted from their next pay based on the pay they would have received but for the absence. This means that this period of absence will be covered for pension.

For absences from work because of industrial action, authorised unpaid leave for more than 30 days, or unpaid additional child related leave, this period won't count towards their pension, but members can elect to buy back the pension that was lost during this time. This is done through an APC and the member can buy back lost pension whether they're in the main or 50/50 section of the Scheme.

The lost pension can be purchased over several complete years (unless the member is within one year of their Normal Pension Age) or by a one-off payment. If the member decides to cover the break within 30 days of returning to work, the scheme employer must meet two thirds of the cost unless the absence is unauthorised or due to industrial action.

For more information regarding buying back periods of lost pension visit LGPS 2015 APC Modellers. The link to the modellers is here.

Sick Leave

For any period of sick leave, pension benefits will continue to build up as normal and members will pay contributions on any pay they receive while off sick (before any reduction on account of Statutory Sick Pay or Incapacity Benefit).

If the member receives no pay, assumed pensionable pay (APP) will be used to calculate their benefits. Employers must calculate and use APP to make sure pension benefits build up as if the member was at work receiving normal pay.

Strike breaks

Strike action is classed as an unpaid unauthorised absence, so pension contributions shouldn't be deducted for any period of strike action. Members do have the option to pay for the lost pension, and this should be done by way of an additional pension contribution (APC). No employer contributions are payable, so the member will bear the full cost of the APC.

If the strike action covers a period of less than ten working days, the APC must be paid as a lump sum. If the strike action lasts for longer than this, then the APC can be paid over a longer period. The completed APC form should be uploaded through the document upload function on I-Connect as an APC application at the end of the strike action.

A spreadsheet ('Strike Break Template') is available in the 'Guides and Forms' section of GoAnywhere which should be used to tell us about all members on strike and confirm whether they've paid for the lost pension. This information will help to reduce queries at year end. The strike break template should be uploaded onto GoAnywhere at the end of the strike action.

LEAVE OF ABSENCE FROM DUTY

Reserve forces

Members eligible to be in the Armed Forces Pension Scheme during the period of special leave but elect to stay in the LGPS should have an Assumed Pensionable Pay calculated by the employer which will be used to continue to build up pension.

Employers should notify the member and the Ministry of Defence (MOD) details of the Assumed Pensionable Pay and employee and employer contributions including any additional contributions they are paying. The MOD will then deduct contributions from the member and pay those contributions along with the employer contributions directly to LPF. Whilst on reserve forces leave, if the employer continues to pay some salary to the member, this pay is non pensionable, and no contributions should be deducted.

Career Breaks

Members on a career break or period of authorised unpaid leave that last less than 30 days should have pensions contributions deducted to cover this period of absence, so they won't lose any pension.

If the career break or period of authorised unpaid leave lasts longer than 30 days, members can elect to buy back any lost pension via an APC contract. If the application to buy back lost pension is received within 30 days of returning to work, then the employer must share the cost of buying back the pension and will pay 2/3rds of the contracted amount.

If the application to buy back lost pension is received more than 30 days after returning to work, you can choose to share the cost of the contract, but you don't have to.

ASSUMED PENSIONABLE PAY

Assumed Pensionable Pay should be calculated as an annual rate then applied to the relevant period as a proportion of that rate. Examples of how to calculate this (including any employee whose pay periodically is other than monthly (e.g. weekly, fortnightly, lunar, quarterly, half yearly) can be found in section 4.2 of the LGPS Payroll Guide.

Assumed pensionable pay (APP) applies to the 2015 Scheme CARE pay. It's the figure that must be calculated and supplied to LPF in the following circumstances

- A member goes onto reduced or no pay during a period of sickness absence
- A member goes onto reduced or no pay during a period of **ordinary** maternity, paternity or adoption leave or paid shared parental leave
- A member is on reduced pay during any period of paid **additional maternity**, paternity, or adoption leave
- A member is on reserve forces leave
- A member is awarded Tier 1 or 2 ill-health pension benefits
- A member dies in service.

It’s important to note that where the member is absent and APP applies, the employer's contribution must be paid on the APP amount, not the pay the employee is actually receiving, except for reserve forces leave where the MoD pays the contributions due.

It’s vital that APP is calculated and added to the member's CARE pay in the monthly and year-end submissions to ensure that the member is awarded the correct pension benefits.

APP doesn’t need to be calculated in the following circumstances:

- A member is on no pay during any period of additional maternity, paternity, adoption or shared parental leave
- A member is on strike
- A member is taking authorised or unauthorised unpaid leave.

In the cases above, the member doesn’t accrue pension rights and must be given the option to buy back the lost pension (see the section on Absences above for more detail).

ASSUMED PENSIONABLE PAY

How is it calculated?

Assumed Pensionable Pay should be calculated as an annual rate then applied to the relevant period as a proportion of that rate. Examples of how to calculate this (including any employee whose pay periodically is other than monthly (e.g. weekly, fortnightly, lunar, quarterly, half yearly) can be found in section 4.2 of the LGPS Payroll Guide.

Example

The member left on 31/07/2022.
Their pay in the last three months was:

01/07/22 – 31/07/22 = **£2,000**

01/06/22 – 30/06/22 = **£2,500**

01/05/22 – 31/05/22 = **£2,500**

The APP therefore is: £2,000 + £2,500 + £2500 = £7,000

£7000 / 3 = **£2,333.33**

£2,333.33 x 12 = **£28,000**

PENSION PROTECTION CERTIFICATE (REGULATION 90)

If an employee is subject to a permanent reduction in pay for reasons beyond their control, an employer should provide a Pension Protection Certificate (or Certificate of Protection COP).

i) At the time of the change

Notification of the reduction should be forwarded to LPF within 12 months of the date the reduction was applied. This should be copied to the employee and will be kept on file by both the employer and LPF. A draft copy of the certificate is available in the 'Guides and Forms' folder on GoAnywhere.

The employer should also begin keeping records of the employee's pay for the three years prior to the date of change and ten years following the date of change.

The Employer should decide whether to issue a Certificate of Protection, but the member may apply for one to be issued. However, if the member doesn't make such an application within 12 months of the date of change, then the employer doesn't need to issue the Certificate.

ii) At Retirement

On retirement, the employer must provide final pay details for the appropriate final pay period. A spreadsheet to assist employers with this calculation is provided on the retirement form to be completed.

A certificate of protection doesn't carry over from one employer in the Fund to another unless the member has transferred to the new employer under TUPE.

Important note:

This regulation doesn't apply to cases when the reduction in pay is temporary, or the reduction is caused by the end of any 'acting-up,' or other temporary allowances/payments.

YEAR-END PROCESS / ANNUAL BENEFIT STATEMENTS

Every member of the pension scheme should receive an annual pension forecast. To produce these statements, certain information must be provided by the employer, which we then use to update and validate the records held for each member.

In addition to facilitating the annual benefit statement process, the year-end procedures are helpful in ensuring that the scheme records are fully up-to-date and to produce reliable data for accounting standard FRS102/IAS19.

The March submission should be no different to the return that employers do each month. However, there are key pieces of data that must be reviewed and amended if required.

As March is the last month of the financial year, it's crucial that Employers check the Year-to-Date totals are correct. You must check:

- Employee contributions (main and 50:50 if any)
- Employer contributions
- CARE pay (main and 50:50 if any)
- If a member has been in both the main and 50:50 scheme in the last financial year, the main and 50:50 columns must still be populated with the pay and contributions relevant to when they were paying into the main scheme and for when they were paying into the 50:50 scheme.

If there are any discrepancies, please don't process the return, but instead contact us immediately at employer.pensions@lpf.org.uk for advice.

It's important that employers also review the Full Time Equivalent Pay column. This column must be populated with the member's annualised full time equivalent pensionable pay rate as at 31 March.

An email will be sent to employers in late February / early March each year which provides guidance on how year-end processes are carried out, and also a reminder of the timescales for returning the necessary details. To ensure that annual pension forecasts can be issued to members as early as possible, the data should be returned by 19 April each year.

Once you've processed your return, we'll carry out checks on the information supplied, with particular focus on FTE pays supplied in March and new contribution rates in April. We'll then contact employers with any queries. Which should be responded to within five working days.

As part of the Annual Allowance information supplied to members, we calculate their illustrative pension savings. If a member is close to or exceeds the Annual Allowance threshold, we may require additional pay information from employers. We'll advise you of the details of the members involved, and unless otherwise stated, this information should be sent to us within ten working days of the request. We'll send revised pension savings statements to affected members by the statutory deadline of 6 October. Giving them time to make decisions regarding use of a 'Scheme Pays' election and for them to report to HMRC as necessary.

We have a dedicated Annual Allowance section on our website with more information for employers and members - https://www.lpf.org.uk/joining-paying-in/annual-allowance/.

Once employee membership data is fully updated, benefit statements can be produced by the statutory deadline of 31 August.

TRANSFER OF PREVIOUS PENSION RIGHTS

New scheme members have the option of transferring previous pension rights into the LGPS. If the transfer proceeds, then the member's service will be increased, thereby improving benefits at retirement.

LPF only accept transfer in requests from schemes belonging to the Public Sector Transfer Club (PSTC). A list of all participating schemes can be found here.

Completion of Forms

All new members will be sent a letter on joining the scheme asking about any previous pension rights, with a form to return if they wish to investigate a transfer. Once a member enquires about transferring previous pension rights, LPF will request a transfer value quotation from the member's previous pension scheme. At this stage members aren't committing themselves to transferring, but only requesting details. It should be noted that if a member elects to retain pension rights in their previous scheme, they can't revisit this election at a later date.

Employer's Role

Under the Scheme Regulations, all transfer requests must be made within the first 12 months of joining the scheme. If a member requests a transfer outwith the 12-month period, the employer does have the discretion to waive the time limit. The member must explain (in writing), why they didn't request a transfer within the time limit, and LPF will pass this to you. As their employer you should then confirm whether you'll allow the transfer to proceed. In making this decision, employers should note that if the transfer proceeds then there might be additional costs to both you and LPF.

TRANSFER OF PREVIOUS PENSION RIGHTS

Interfund Transfers

If employees have previous LGPS membership with another Scottish authority, they can opt to combine it with the Lothian Pension Fund scheme. Or the Fund may automatically combine depending on the service in their previous post.

These transfers are slightly different from those from non-local government employers as the service will be transferred on a day for day basis. However, it may not always be in the member's interest to transfer, i.e. if they've moved to a lower paid post. We'll check each case and provide sufficient information to help an employee decide whether to transfer previous Scottish LGPS membership.

The Fund will investigate whether any new member has previous pension rights with another Scottish LGPS and will contact the Fund(s) directly to begin the interfund transfer process. If the member has no entitlement to a deferred pension, the interfund transfer will be completed automatically and LPF will inform the member accordingly. If they are entitled to a deferred pension with the previous scheme, LPF will contact the member to advise the transfer value and the options that they have.

Transfers between employers within the same fund

Lothian Pension Fund administers the Local Government Pension Scheme on behalf of over 60 employers in the Lothian area. It's therefore common for members to leave one employer and move to another who is also part of the LGPS in this area.

There are various regulations regarding aggregating pension records and we'll write to the member to let them know their options. This process may take some time but the member should be assured that any delay in writing to them will not be detrimental to their pension.

Until we've written to the member, and they've made an election regarding their pension records (if applicable), their Annual Benefit Statement will be based on their latest employment only.

If a member changes post with the same employer without a break in service, their membership in the LGPS is continuous,and should not be provided with a new pension reference number.

FAMILY LAW – THE VALUATION OF PENSION RIGHTS FOR DIVORCE PURPOSES

Under the Family Law (Scotland) Act 1995, on separation or divorce, a member has the right to request a valuation of their accrued pension rights for the period of marriage up to the date of separation.

To provide the required valuation, LPF must collate information from various sources, including the employer. In these cases, we'll provide the relevant date to which the final pay should be calculated, noted on the request.

Under the 1995 Pensions Act, LPF must provide a valuation within three months of a request being made. If this time limit is breached, LPF can be fined, so it's ESSENTIAL that pay details are returned promptly.

Pension Sharing

Further legislation, effective from 1 December 2000, introduced the concept of 'pension sharing'.
This means that on receipt of a pension sharing order, the accrued rights can be shared between the member and their ex-spouse. As such, court orders can only be entered into once a divorce has taken place, and a further request for pay details may be made with a revised date.

In cases of pension sharing, all the information must be gathered within 21 days, so pay information must be returned quickly.

DEATH IN SERVICE

How does an employer notify the Fund of a Death in Service?

Employers should complete the Death in Service form which can be found in the ‘Guides & Forms’ folder on GoAnywhere. Dependants’ or next of kin details should be included (if known) together with a copy of the death certificate if it’s available. As a death grant will be due, an assumed pensionable pay will need to be provided on the form. Death in service information must be sent to LPF within 10 working days of the date of death.

Death Grant

Where a scheme member dies while in employment, a death grant is payable. The death grant is a lump sum payment of three times the member’s assumed pensionable pay (not full time equivalent if member was part time). Members should complete a nomination of beneficiary form, but payment is made at LPF’s discretion. This allows payment to a nominee to be free of inheritance tax. Although a member’s nomination will normally be respected, we have the discretion not to accept it.

Benefits for a Widow/er, Civil Partner, Co-habiting Partner & Children

If there’s a surviving spouse, civil or co-habiting partner, benefits will be payable upon receipt of appropriate certificates and evidence. If there are eligible children, pensions will also be payable. For the purposes of the LGPS, an eligible child is someone who, at the time of the member’s death is:

- Under the age of 18
- Between the ages of 18 and 23 but in continuous full-time education
- Physically or mentally impaired, which has a substantial and long-term adverse effect on their ability to carry out day to day activities.

A pension will be paid for as long as the child continues to meet the above conditions.

OPTING OUT OF THE SCHEME

A member has the right to opt out of the pension scheme at any time.

When a member decides to opt out, they must complete an "Opt Out form" found on the Publications, then Forms section of our website. This completed form should be returned to the employer and not LPF. It's very important that the opt out form isn't provided to the member by the employer. Once an employee has opted out, they cease to be a scheme member from the start of the next pay period.

If a member has opted out with less than two years' scheme membership, they may be entitled to receive a refund of contributions (less tax) unless:

- They have concurrent scheme membership with LPF or any other Scottish Local Authority
- They've transferred-in previous pension rights
- They've retained pension rights from a previous period of scheme membership with LPF or any other Scottish Local Authority.

If any of these conditions apply, the member won't be entitled to receive a refund of contributions.

If a member has opted out with more than two years' scheme membership they would be entitled to preserve their benefits in the scheme until retirement. In these cases, members are not entitled to receive a refund of contributions.

Please note that members aged over 55 cannot receive their pension on opting out until they leave employment.

Members with over three months of service have the option to transfer their accrued pension rights to a new pension arrangement.

Any refunds cannot be paid until one month after the effective date and are paid directly to the member's bank account by BACS. The employer's contributions are retained in the fund for any member opting out after three months of joining the scheme.

A member who opts out can rejoin the scheme again if they satisfy the scheme eligibility.

If the employee opts out of the scheme with under three months' membership and a refund is requested (providing the employee doesn't meet any of the above criteria) then the refund of contributions can be made via the employers payroll. Please ensure that a completed 'Opt out – Refund through payroll' spreadsheet is completed and uploaded through GoAnywhere.

EARLY LEAVERS

Early Leavers – Less than two years' membership

Leaving employees should be marked as left on the monthly i-Connect return and there is no requirement for an early leaver form to be completed. The fund will contact you if any further information is required. Please note for members over age 55 a retiral form will still be required.

If an employee leaves (or opts out) and hasn't transferred in previous service, or doesn't have retained or concurrent rights in the LGPS (with LPF or any other Scottish Local Authority), the options are as follows:

- Transfer to a new pension arrangement
- Refund of contributions, less statutory deductions.

The employee wouldn't be entitled to preserved benefits.

If the employee isn't entitled to receive a refund, then the options would be:

- Transfer to a new pension arrangement
- Preserved benefits.

Cancellation of membership information must be provided to us within 20 working days of the effective date of opting out of the scheme.

EARLY LEAVERS WITH MORE THAN TWO YEARS' MEMBERSHIP

Important note:

- If the reason for leaving is redundancy or interest of efficiency and a member is over 55 (or over 50 and was in the scheme on 5 April 2006) then a pension is payable. This isn't optional – the member must receive their benefits
- Unless they have opted out of the scheme, if the member is aged 55 or over, and under 75, the employer must complete a retiral form, not an early leaver form.

Any employee who has more than two years' scheme membership is entitled to preserved benefits (i.e. a pension and lump sum at retirement age). They are not entitled to a refund of contributions.

Preserved benefits can be retained in the LGPS, or transferred to another suitable pension arrangement. Members entitled to preserved benefits can transfer at the time of leaving employment, or at any date earlier than one year prior to normal retirement age.

Legislation (particularly the Pensions Acts 1993 and 1995) put strict time limits on the provision of information to members leaving pensionable employment. For this reason, it's vital that leaver's forms are fully completed and uploaded through i-Connect as soon as possible. Early leavers who joined after 31 March 2015 don't require a leaver's form, unless requested by us.

Members are entitled to receive a statement of their preserved benefits within two months of the employer informing us that the member has left service. If the member wished to transfer to another pension provider, LPF must provide a quotation within 3 months of the member making a request.

EARLY LEAVERS WITH MORE THAN TWO YEARS' MEMBERSHIP

Age 55 or over at date of leaving

Members leaving employment who fall into the above category can receive immediate payment of their benefits. A retiral form should be submitted as soon as the member gives notice that they're leaving employment. Retiral information must be sent to LPF at least 20 working days before the member's last day of service as part of our Pension Administration Strategy standards.

If the date of leaving is before the member's normal pension age, then their benefits would be reduced for early payment. In this case, the member would have to elect for early payment of their benefits. LPF will contact the member advising of the reduced benefits payable.

PAYMENTS AFTER LEAVING

Employers should provide details of payments made to employees after they have left employment. If the employee is on the i-Connect return and showing as a validation error, they should be checked as follows and then removed:

- If a leavers form has already been sent to Lothian Pension Fund, check the figures on the form. If the figures match, then the line should be removed from your return and no further action is required. If the figures are different, then an amended leavers form/bulk revised pay spreadsheet (in Guides and Forms on Go Anywhere) should be completed, uploaded through Go Anywhere, and the benefits will be re-calculated.
- If a leavers form has not been provided, as the employee joined the pension scheme after 1 April 2015 and left after the new process was introduced, an amended form/bulk revised pay spreadsheet should be completed and sent so benefits can be recalculated.

Is the amount being paid due to a back-dated pay award?

- If the employee is required to claim payment of this, then we only need to be notified (amended leavers form/bulk revised pay spreadsheet) if they request payment.
- If the payment is made automatically, complete and upload the bulk revised pay spreadsheet for all the relevant employees.

Has the employee opted out of the Pension Fund?

- If the employee opted out and was refunded through payroll, any additional contributions deducted should be refunded through payroll, as these employees are treated as never having been in the pension scheme.
- If the employee opted out after 3 months of joining, and the refund was paid by the fund, they should be treated as above and an amended form/bulk revised pay spreadsheet should be provided.

VOLUNTARY RETIREMENT

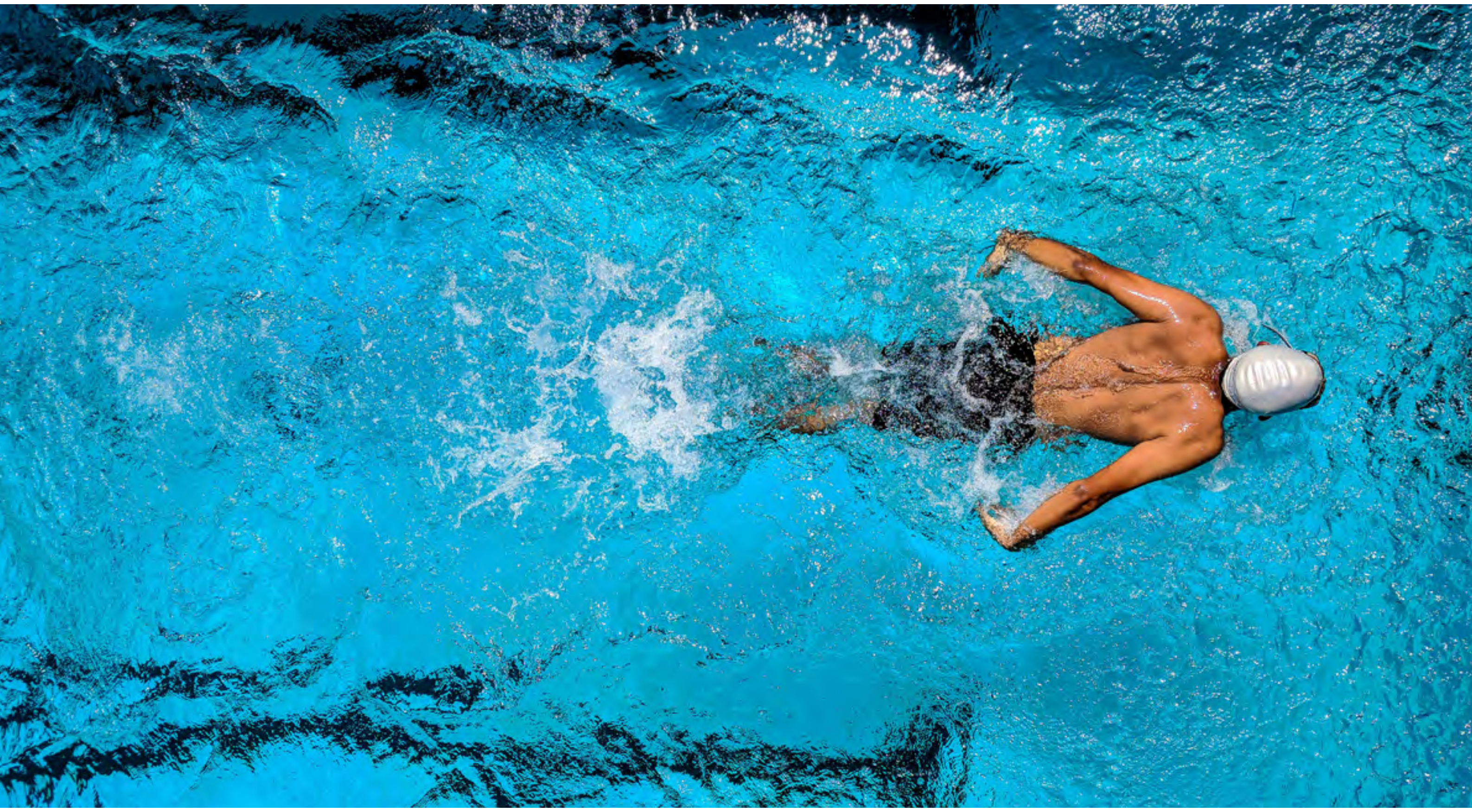
Members can voluntarily retire and draw their retirement benefits on or after age 55 and before age 75, provided they have met the two years vesting period in the scheme.

The member's normal pension age (NPA) is the age when they can retire and take the pension they've built up without early retirement reductions.

- Any benefits built up before 1 April 2015 have a (NPA) of 65
- For benefits built up from 1 April 2015, NPA is the same as the member's State Pension Age (SPA), but with a minimum age of 65. Members can find out their SPA, by using the Government's State Pension Age calculator.

If a member elects to take their pension before their NPA it will be reduced. The reduction is based on the number of years from the date they take their pension to their NPA. If the number of years is not exact, the reduction percentage is adjusted.

Members who stay in work after their NPA will continue to pay into the scheme and build up further benefits. All members must take their pension by age 75. Members who elect to take their pension benefits after their NPA will have an increase applied. The increase is based on how long after their NPA they take their pension.



RULE OF 85

The Rule of 85 allowed members to retire after age 60 without any reduction to their pension where their age and length of scheme membership (in whole years) added up to 85. The rule was removed from the scheme regulations with effect from 1 December 2006. However, certain protections remain in place for members who joined the scheme prior to this date.

We encourage members to use our online projector which can provide an estimate of the benefits which would be payable at retirement. The projector assigns any Rule of 85 protection that are applicable to the member's benefits.

Benefits protected by the Rule of 85 are payable without reduction from the later of:

- Age 60 (if the member meets the Rule of 85 criteria on or before this date)
- The date the member satisfies the Rule of 85 (if between 60 and 65)
- Age 65.

Different levels of protection apply depending on the member's age, and these are outlined below:

Members born before 1 April 1960 who joined the scheme before 1 December 2006:

- All benefits accrued up to 31 March 2020 are protected by the Rule of 85
- Benefits accrued from 1 April 2020 onwards will be reduced if paid before their State Pension Age.

Members born on or after 1 April 1960 who joined the scheme before 1 December 2006:

- All benefits accrued up to 31 March 2008 are protected by the Rule of 85
- Benefits accrued from 1 April 2008 to 31 March 2015 will be reduced if paid before age 65
- Benefits accrued from 1 April 2015 onwards will be reduced if paid before their State Pension Age.

Members who joined the scheme on or after 1 December 2006 (regardless of age):

- No benefits are protected by the Rule of 85
- Benefits accrued up to 31 March 2015 will be reduced if paid before age 65
- Benefits accrued from 1 April 2015 onwards will be reduced if paid before their State Pension Age.

Rule of 85 protection doesn't apply to benefits accrued after 1 April 2020, however all protection accrued up to this date will remain in place even if the member leaves or retires after 31 March 2020.

If a member retires before age 60 and has already met the Rule of 85 criteria, the employer may agree to apply the protections to their benefits immediately upon retirement, although this may lead to a cost (known as a strain on the Fund cost) being payable by the employer.

REDUNDANCY/EFFICIENCY RETIREMENT

Unreduced pension benefits are payable at any age from 55 or 50 if the member was in the scheme on 6 April 2006, if the employer certifies that termination is on the grounds of redundancy, or as an efficiency exercise of the employer's functions.

Employers should note that there may be a strain on the Fund cost for members who are made redundant/leave on efficiency grounds and are over 55, so it's important that employers contact LPF for an estimate.

LPF require a completed retiral form uploaded through i-Connect and an authorisation letter from the employer confirming the redundancy decision. This letter should be signed (by an authorised signatory) on headed paper.

The letter must also confirm whether any compensatory added years (CAY) are being awarded by the employer and if none, this must be specified. (CAY can only be paid to members that have transitional protections).

Compensatory added years take the form of an additional pension and lump sum. The pension is payable for life (and if the member has a spouse/registered civil partner, for the spouse/partner's life), and will be subject to the annual pension increase.

LPF acts as an 'agent' for the employer: we pay the compensatory years on the employer's behalf, and re-charge the costs on a monthly basis.

Employers may also choose to increase the member's benefits by awarding an APC. This must be completed and paid in full prior to the retirement.

ILL HEALTH RETIREMENT

An active member who has qualifying service for a period of two years and whose employment is terminated by an employer on the grounds of ill health or infirmity of mind or body before the member reaches Normal Pension Age (NPA), is entitled to, and must take, early payment of a retirement pension if that member satisfies the conditions below:

- The member is, as a result of ill health or infirmity of mind or body, permanently incapable of discharging efficiently the duties of the employment the member was engaged in.

The amount of the retirement pension that a member who satisfies the condition receives, is determined by the **employer**. The benefit tiers are outlined below:

- Tier 1 – If the member is unlikely to be capable of undertaking gainful employment* before NPA, the members' service is enhanced up to NPA
- Tier 2 – If the member is likely to be able to undertake gainful employment* before reaching NPA, the members' service is enhanced by 25% of membership to NPA.

** In the regulations, "gainful employment" means paid employment for not less than 30 hours in each week for a period of not less than 12 months."*

ILL HEALTH RETIREMENT

It's the employer who makes the decision to terminate a member's employment on the grounds of ill health and it's also the employer's decision whether to award 1st or 2nd tier ill health retirement benefits. This decision can't be made without having first obtained an opinion from an Independent Registered Medical Practitioner (IRMP) qualified in Occupational Health medicine.

If an employer is intending to dismiss a member on ill health/capability grounds, the following steps must be followed:

1. The member must be referred to a qualified Independent Registered Medical Practitioner (IRMP). According to the LGPS Regulations this means an IRMP who is registered with the General Medical Council, and who holds a diploma in occupational health medicine (D Occ Med) or an equivalent qualification issued by a competent authority in an EEA state, and for the purposes of this definition, "competent authority" has the meaning given by section 55(1) of the Medical Act 1983(j); or is an Associate, a Member or a Fellow of the Faculty of Occupational Medicine or an equivalent institution of an EEA state. Also, the IRMP from whom a certificate is obtained must not have previously advised, or given an opinion on, or otherwise been involved in the particular case for which the certificate has been requested
2. LPF must give approval for the use of any IRMP who meets the criteria above. If the IRMP determines that the member meets one of the two tiers, employers are required to complete and upload a retiral form through i-Connect along with a copy of the certificate completed by the IRMP and employer. The form and certificate can be found in the 'Guides & Forms' folder on GoAnywhere.

LPF has a list of approved IRMPs. If an employer wishes to add an IRMP to the list, they must first meet the regulatory requirements and then seek approval from us by contacting employer.pensions@lpf.org.uk

A guide to ill health retirement and early payment of deferred benefits produced by the Scottish Public Pensions Agency can be found here.

FLEXIBLE RETIREMENT

Scheme members aged 55 or over, with their employer's agreement, can receive all or part of their pension and continue to work so long as there has been a reduction in hours or grade. There may be a strain cost if flexible retirement is granted before NPA, so it's important that employers ask LPF for a quotation if they receive a request for flexible retirement. An early retirement reduction can be applied to the member's benefits if the 'Rule of 85' protections aren't. Employers have the discretion to waive this reduction in full or in part, but this will also incur a charge in respect of the 'fund strain'.

An employer is required to have a published discretion policy outlining the criteria under which they'll award flexible retirement, along with a secondary discretion on whether they'll waive the reduction.

We require a completed retiral form uploaded through i-Connect and an authorisation letter must be provided from the employer confirming the reason for flexible retirement. The letter should also confirm:

- The member's new working hours (if they've reduced their hours)
- The member's new pay details (if they've reduced their pay)
- If the member is re-joining the scheme under the new contract arrangements.

If the member is re-joining the scheme or being auto enrolled, a new pension record should be created on the i-Connect submission.

STRAIN ON FUND COSTS

When an employer allows a member to retire early, (that is before NPA), then the pension fund must pay benefits earlier than expected and it won't receive the employee and employer contributions expected. This means that there could be strain costs in the following circumstances:

- Redundancy
- Interest of efficiency
- Flexible Retirement
- Payment on compassionate grounds
- Discretionary retirement ('Rule of 85') for members aged between 55 and NPA.

Strain costs don't arise in the following situations:

- Any of the above situations once the member has reached their earliest retirement date
- Ill health retirement (the employer's contribution rate allows for a certain level of ill health retirements).

Strain costs are calculated in accordance with tables produced by the scheme's actuary, and are based on the member's age, gender, the amount of pension payable and most importantly the period between the date of retiral and the earliest retirement date.

STRAIN ON FUND COSTS

Information provided

Estimated strain costs will be provided with any benefit quotations where such costs arise. This information allows employers to calculate, for budget purposes, the amount of any savings that can be made should early payment proceed.

Procedure at retirement

If all the details relating to the retirement are the same as those relating to the quotation (i.e. same date of leaving, number of added years awarded, estimated final and pensionable pay figures), then there will be no change to the strain costs. In many cases however, a recalculation of the costs will be required.

Payment of a strain cost can only be made by a lump sum. After the member has retired employers will receive an invoice from LPF detailing the actual amount to be paid.

RE-EMPLOYED MEMBERS

Re-employed members can be split into two categories:

I. Re-employed pensioners
II. Re-employed members with preserved benefits.

Re-employed pensioners

There is no affect to a member’s basic pension if they become re-employed in another job, or in another employment covered by the LGPS regulations.

Importantly, however, if the member was awarded compensatory added years (see Retirement) from the previous employer, then the pension in respect of these additional years may be permanently reduced or suspended once the ‘new’ employment comes to an end. A check is made at that time, and the member advised accordingly.

If a member is in receipt of a pension in respect of Local Government Employment, they’re still entitled to join the scheme with their ‘new’ employment and build up benefits in respect of this period of service.

Employers may occasionally receive requests for salary details for re-employed pensioners who opted out of the pension scheme. The applicable rate of pay in this case is the annual rate of pay received by the member, not the full-time equivalent. These requests should be returned promptly to allow LPF to perform the checks described above and make any necessary adjustments to the member's pension benefits.

Employers may occasionally receive requests for salary details for re-employed pensioners who opted out of the pension scheme. The applicable rate of pay in this case is the annual rate of pay received by the member, not the full-time equivalent. These requests should be returned promptly to allow LPF to perform the checks described above and make any necessary adjustments to the member’s pension benefits.

RE-EMPLOYED MEMBERS

Re-employed members with preserved benefits

Anyone who has preserved benefits with LPF and begins further Local Government employment may have their two periods of scheme membership linked to provide one pension on retirement. There are various regulations regarding aggregating pension records and we'll write to the member to let them know their options. This process may take some time but the member should be assured that any delay in writing to them will not be detrimental to their pension. If the member's records are not combined then we will hold two records for the member. This means that on retirement, two pensions will be payable and benefit statements will reflect the pension accrued in each period of membership only.

If the member elects not to combine their periods of membership, then two records will be held for the member. This means that on retirement two pensions will be payable and benefit statements will reflect the current period of membership only.

OTHER LGPS PROVISIONS

Lothian Pension Fund is required by the LGPS to:

- Pay interest on lump sum benefits that are paid more than one month after they should have been paid
- Pay interest on pensions that are paid more than a year after they should have been paid
- Pay interest on refunds of contributions that are paid more than a year after the date the member left the LGPS
- Issue annual benefit statements to active and deferred members.

Lothian Pension Fund is allowed by the LGPS to:

- Commute small pensions into single lump sum payments. The circumstances where this may happen are restrictive, particularly if the member has other pension benefits
- Reduce the member's pension benefits if they cease to be employed as a result of a criminal, negligent or fraudulent act or omission, as a result of which the've incurred some monetary obligation to the employer
- Forfeit a member's pension rights if the Scottish Ministers agree and the member has been convicted of a serious offence connected with their employment.

The LGPS doesn't allow members to:

- Assign their benefits. The LGPS benefits are strictly personal and can't be signed over to anyone else or used as security for a loan.

COMPLAINTS AND APPEALS

Initial complaint – Internal Dispute Resolution Procedure (IDRP)

Complaints should be raised within six months of when the problem was first known unless there are special circumstances. Complaints may be made verbally or in writing, by phone, letter or e-mail. We monitor the level of complaints we receive monthly, and we'll always learn from these and improve the service we provide.

Our complaints policy and procedure covers:

- The service we've delivered
- How pension rules have been applied.

Complaints about the service we have provided

Stage 1 – For issues that are straightforward or simple, requiring little or no investigation an 'on-the-spot' apology or explanation will be given. Alternatively, it may be referred to the appropriate frontline response to put the matter right. We'll make every attempt to resolve a complaint on the spot or within five working days. If this isn't possible, we'll advise how a complaint can be escalated.

Stage 2 – If the member is still unhappy and the response hasn't resolved the matter, let us know the reason. A manager will acknowledge the complaint within three working days, investigate the matter and send a written response within 20 working days of the request.

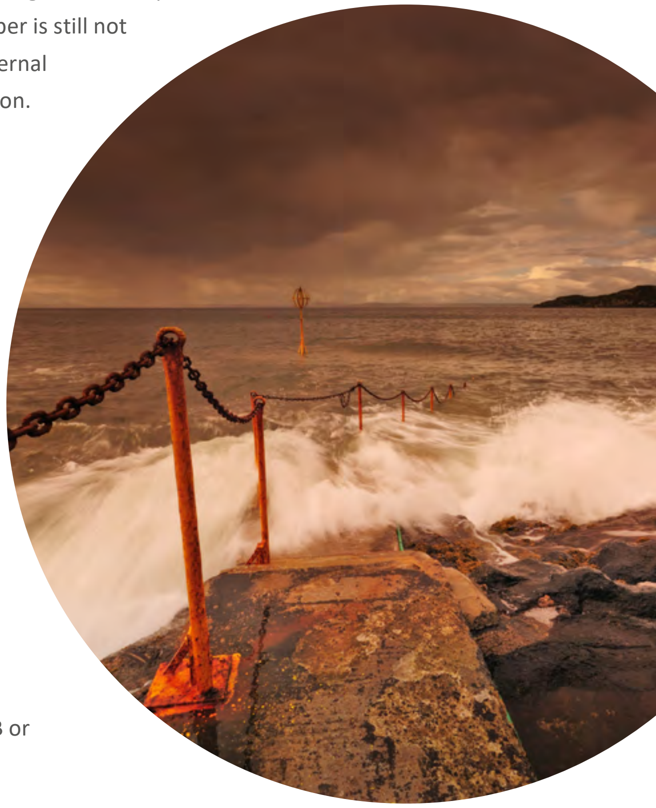
Stage 3 – If the member is still not satisfied once they've been through the complaints process, they can make a formal complaint to: The Pensions Ombudsman, 11 Belgrave Road, London, SW1V 1RB or telephone 0800 917 4487.

Members can download and complete a complaints form here.

COMPLAINTS AND APPEALS

Complaints about how the pension rules were applied

In the first instance, the member should write to the Customer Experience Manager with full details of the decision that they would like reviewed. We'll investigate the matter and send a written response within ten working days of the request or review. If the investigation will take longer, we'll keep the member informed of when they can expect a response. If the member is still not satisfied, they can make an appeal through a two stage process; the Internal Dispute Resolution Procedure (IDRP) to an independent appointed person.



- Stage 1 – The member can make an appeal to an independent appointed person within six months of the date of the notification or act of omission they are complaining about
- Stage 2 – If the member is still dissatisfied following the independent appointed person review, they may apply to the Scottish Ministers to have the decision reconsidered within six months of the date of the notification of the stage 1 decision. The notification will include a contact address. If after going through the dispute process the member still isn't satisfied, they can make a formal complaint to the Pensions Ombudsman, 11 Belgrave Road, London, SW1V 1RB or telephone 0800 917 4487. Please note that the Pensions Advisory Service (TPAS) is available to assist members and beneficiaries of the scheme in connection with any difficulty with the scheme which remains unresolved. TPAS can be contacted at 11 Belgrave Road, London, SW1V 1RB or telephone 0845 601 2923.

Members can download and complete an appeals form here.

For complaints about a decision made by the employer, the member should contact the employer in the first instance. Employers should investigate the complaint in line with their Internal Dispute Resolution Procedure and this should be referred to the person designated to receive appeals from employees as confirmed on the annual compliance certificate. An employer IDRP application form can be found in the 'Guides & Forms' folder on GoAnywhere.

Further information can be found on the Help Hub of our website under Service Standards and Performance.

BENEFIT QUOTATIONS (ESTIMATES OF BENEFITS)

Estimates fall into two categories, those provided by Lothian Pension Fund as a matter of course, and those that are in response to requests.

Estimates provided by Lothian Pension Fund

Lothian Pension Fund has a statutory duty to provide an annual benefit statement for each pension record as at 31 March each year by 31 August. The figures on the statement are based on the service details on the members record, the final pay, and the pensionable pay from the previous year (1 April to 31 March). This is calculated based on the monthly and annual submissions received from the employers.

The statement will show the accrued benefits to the end of the scheme year (31 March), death benefits at that date and a projection of benefits to NPA.

Estimates which must be requested by the employer

The quotations listed below are for benefits where the employer has the final decision on retirement. Therefore, they will not be provided at the request of the employee.

- Ill health Retiral
- Redundancy Retiral
- Interest of Efficiency Retiral
- Discretionary/Rule of 85 Retiral

To enable Lothian Pension Fund to produce the estimate(s) required, employers must fully complete an 'LPF Estimate Form" which can be found on GoAnywhere.

Bulk requests

LPF has an excel spreadsheet to be used if estimates are required for multiple employees. For employers undergoing an exercise where quotes for multiple employees are required, please use the spreadsheet "Bulk Estimate Requests" which is located in the "Guides & Forms" folder on GoAnywhere. It's also important that employers tell LPF the scale and timings of such exercises to help plan our workload and turnaround times. Please contact employer.pensions@lpf.org.uk if any questions.

Once the estimate has been processed, a letter outlining the costs of the retirement (if any) will be sent to the employer or can be uploaded securely to GoAnywhere. LPF will make the estimate of pension benefits available to the member to view on My Pension Online unless we're advised not to by the employer.

Pension Administration Strategy standards

Once all required information is received, we'll provide the employer with ad-hoc estimates of benefits within ten working days of the receipt of the request. Where more than 20 estimates are required, the employer should consult with LPF to reach an agreed timescale. Multiple requests relating to an individual member may be restricted.

MONTHLY RECHARGEABLE COSTS

Unfunded Pension Costs

Some pensions paid out under the discretionary policy must be paid back to LPF. These costs are invoiced to employers monthly after the pension has been paid to the member.

The following are the typical costs recharged and an explanation of what they are:

Compensatory added years

If employers have awarded a member additional years for either redundancy or interest of efficiency, the cost of the additional annual pension is required to be repaid to LPF. LPF will recharge on a monthly basis once we've paid the monthly pension to the member.

Ex-Gratia Pension

Employers may have awarded someone an ex-gratia pension on retiral because they were not eligible to join the scheme when they commenced employment. The ex-gratia pension will be recharged on a monthly basis once LPF has paid the monthly pension to the employee.

Teachers' Compensation (mandatory or discretionary)

Teachers' pensions are payable by the Scottish Public Pensions Agency. However, if a teacher has retired early, the employing authority is liable for payments to make up the amount of actuarial reduction (mandatory) or any added years awarded (discretionary). LPF acts as an agent for the employing authority. We therefore pay the compensation part of the teacher's pension and recharge the cost back from the employer. This is done on a monthly basis after the pension has been paid to the retired teacher.

Injury Allowance

If a member suffers an injury at work, they may be eligible for an injury allowance. This can be an additional pension (annual allowance). Any additional pension will be recharged monthly once the pension has been paid to the member.

MONTHLY RECHARGEABLE COSTS

Non-Contributory Service

Before April 1975, some employees had periods of employment during which they didn't contribute to the scheme but counted towards qualifying for a pension. These may have been periods where the employee was unable to contribute due to circumstances beyond their control (e.g. due to a local rule). Members were allowed to make up contributions or the service was counted at a different rate. In 1975 local authorities were able to uprate non-contributory service under a discretionary policy. If your authority did this, then once a member with "non-con" service retires, you're recharged for the uprated part of the pension. This is recharged monthly after the pension has been paid to the member.

EMPLOYER'S DISCRETIONS

Under Regulation 58 of the Local Government Pension Scheme (Scotland) Regulations 2018, each employer participating in the scheme is required to formulate a policy concerning the exercise of certain discretions contained within the regulations. Specifically, regulations 16(2)(e) and 16(4)(d) (Additional Pension Contributions), 29(7) (Flexible Retirement), 29(9) (waiving actuarial reductions), 30 (award of additional pension) and Schedule 2 Paragraphs 2 & 3 of Schedule 2 of the Transitional Regulations (switching on the rule of 85 for members who voluntarily draw benefits between age 55 and 60). It's recommended that employers also formulate their policy in respect of some of the other regulations.

The policy must be published (made known to members) and a copy sent to LPF. It must be kept under review and revised following any change in policy. Any revisions must be published, and a copy sent to LPF within one month of the revision. In formulating their policy, employers must have regard to the extent to which the exercise of its policy could lead to a serious loss of confidence in the public service.

We've prepared a template policy statement which can be obtained from George Kirk (Kir92G22@lpf.org.uk).

COMPLIANCE WITH STATUTORY REQUIREMENTS AND TIMESCALES

To provide a quality service to both scheme members and employers, and to ensure that pension records are up to date, it's important that employers keep LPF updated with any relevant changes to a member's employment.

In addition, there are many statutory provisions which impose strict timescales on information that must be provided to scheme members and also to other relevant parties. If information isn't provided in the required time scales, then fines can be levied by The Pensions Regulator, and in severe cases, they may decide to issue a press release highlighting the breach of legislation.

Although the time scales refer to statutory obligations placed on Lothian Pension Fund as the administering authority, without the support of employers, we'll be unable to meet these obligations.

Some of the time limits for information provision have already been mentioned, however the tables below summarise the main statutory requirements that require the assistance of employers. More information can be found in the Pensions Administration Strategy document.

MEMBER FORMS

Process	Information Required	Timescale
New Starts	Information to create a new member record	20 working days of the month end in which the member joins
Early Leaver (where the member is over age 55 or over, please process as a retirement)	Completed early leaver form or opt out form if member has service pre 1 April 2015	20 working days after the member's date of leaving
Retirement	Completed retiral form and where appropriate also upload a signed letter authorising early payment of benefits completed by the authorised signatory	No later than 20 working days before the member's date of leaving
Ill Health Retirement	Completed retiral form and signed ill health certificate completed by employer and approved IRMP	No later than five working days after the member's date of leaving
Death In Service	Completed death in service form and upload a certified copy of death certificate if available	No later than 10 working days after the member's date of death
Queries raised/further information requested by LPF in dealing with a member's retirement	Any further information as required should be provided using the online secure message form	No later than five working days after the request for information has been sent to the employer

ANNUAL CONTRIBUTION INFORMATION

Process	Information Required	Timescale
Year-end information (format will be specified by LPF)	Sufficient year end information to 31st March as required by the scheme regulations.	By 19 of April each year
Year-end queries	Any further information as required using the online secure message form, other online forms or uploaded documents as applicable	No later than 10 working days after the query has been sent to the employer
Further pay information (format and members affected will be specified by the Fund)	Information required to enable LPF to work out members' pension input amounts	Within two weeks of request made by LPF

MONTHLY PENSION CONTRIBUTIONS

Process	Information Required	Timescale
Member and employer pension contributions (including any additional member contributions but not AVCs – see below)	Electronic payment	By the 19th of the month following deduction from pay
Member Additional Voluntary Contributions (AVCs)	Electronic payment with information as specified by AVC provider	By the 19th of the month following deduction from pay
Monthly contributions	Amounts of contributions paid by each employee (including any additional contributions)	By the 19th of the month after these have been deducted from pay

OUTSOURCING AND BULK TRANSFERS

In recent years, many employers have taken the decision to outsource some functions to an external provider. It's important that any employer intending to outsource should consider the pension implications of such a transfer at an early stage.

The main regulations governing outsourcing are the Transfer of Undertakings (Protection of Employment) Regulations 1981 or TUPE. These don't make reference to pension provision; however, pension rights must be protected. It's strongly recommended that employers contact LPF at the earliest possible stage. This will ensure that necessary guidance can be provided to employers, employees, and the new service provider. More detailed information can be provided from LPF as required. However, the information below gives a broad outline of the main issues involved.

Government guidance states that when public sector employees are transferred to a new employer in this way, the new employer must either:

- Provide a 'Broadly Comparable Pension Scheme' for the transferring employees to join or
- Apply to join the Local Government Pension Scheme as an 'Admitted Body' via an Admission Agreement.

Please note that the new provider is responsible for deciding which pension option is taken. Employees, unions, and local government employers can't insist that the new provider enter into an admission agreement.

Where the first route is taken, members can elect to transfer pension rights accrued from membership of the LGPS, or alternatively leave them as preserved benefits in the LGPS. If the member has less than two years' scheme membership, then the alternative option to transferring would be to receive a refund of contributions less statutory deductions.

Transfers of accrued pension rights are completed on a 'Bulk Transfer' basis. The scheme actuary, who can also assist in 'comparability' checks, will calculate, and agree on bulk transfer terms with the actuary acting for the comparable scheme.

If the new provider applies to join the LGPS, then an 'Admission Agreement' must be drawn up before the transfer takes place. The new provider must also have a guarantor, which will ensure that the pension fund isn't adversely affected should the new provider become insolvent or cease trading for any other reason. The scheme actuary will calculate the likely employer contribution rate for the new provider.

LPF can also provide, at the employer's request, a 'Question and Answer' sheet or newsletter for staff on the pension implications and choices available in any particular case.

CONTACTS FOR SPECIFIC ISSUES

i-Connect Support
Sarah Reid
Pensions Data Manager
0333 996 1960

GoAnywhere support
Diane Sinclair
Employer Relationship Manager
0333 996 1913

Valuation and Funding Issues
Erin Savage
Senior Employer Relationship Manager
0333 996 1918

Outsourcing / Bulk transfers / FRS102 and IAS19 reports
George Kirk
Employer and Member Payroll Manager
0333 996 1920

Complaints / Disputes
Carole Thompson
Customer Experience Manager
0333 996 1905

Complex Administration Tasks
employer.pensions@lpf.org.uk

Requests for induction / pre-retiral presentations / roadshows
Meghan Foley
Senior Employer Administrator
0333 996 1946

Contributions remittances / Invoicing
Hana Skoczylasova
Accounting Technician
0333 996 1924

Updating employer contact details
Corinna Findlay
Pension Data Administrator
0333 996 1908

USEFUL LINKS

Lothian Pension Fund don't endorse or necessarily support the views of any of the organisations listed or guarantee the accuracy of any information therein.

Please let us know if a link doesn't work or takes you to an incorrect location.

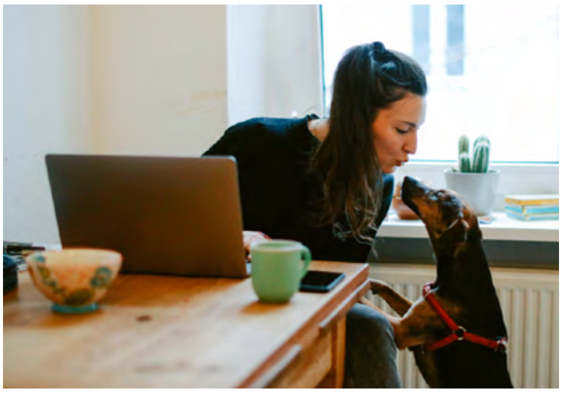
Lothian Pension Fund Website

Lothian Pension Fund My Pension Online

Local Government Pension Scheme Website

Local Government Association

LGPS Regulations & Guidance



LGPS Payroll Guide

i-Connect Website

i-Connect File Upload Guide

LPF i-Connect Document Upload Guide

GoAnywhere Website

GoAnywhere Document Sharing Guide

LPF Pensions Administration Strategy

LPF Funding Strategy Statement

LPF Administering Authority Policy Statement

LGPS Scheme Guide

The Pensions Regulator

The Pensions Ombudsman

State Pension Age Calculator

LOTHIAN PENSION FUND

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