



North East Scotland Pension Fund

nespf



GUIDE FOR

Prospective Admitted Bodies

February 2015

Contents

1. General	3
2. Employees Eligibility to Join	4
3. Administration	4
4. Financial Implications	5
5. Application Process	7
6. Contact Details	8
7. Glossary	8

1. General

In order to admit employees of your organisation to the Local Government Pension Scheme, an Admission Agreement must be concluded between Aberdeen City Council as the administering authority for the North East Scotland Pension Fund and the employing body.

There are two types of admissions to the scheme: Community Admission Bodies and Transferee Admission Bodies.

Community Admission Bodies

Community Admission Bodies are typically charities or other public sector bodies which have a “community of interest” within local government.

In considering Community Admission Bodies the interests of existing employers take priority. As such and to comply with regulations, all new admission bodies are required to carry out, to the satisfaction of the administering authority, an assessment, taking account of actuarial advice, of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up or liquidation of the admission body.

The admission body is required to enter into a bond to cover this risk but, where this is not possible a guarantee can be obtained from another entity provided certain conditions are met such as a scheme employer.

Transferee Admission Bodies

Transferee Admission Bodies generally provide services or assets in connection with a Scheme employer. This is usually agreed by means of a contract between the Scheme employer and transferee body.

Transferee Admission Bodies will usually be established on a fully funded basis at the point of transfer. Alternatively, a share of Fund or other basis may be adopted subject to agreement between the parties to the admission agreement. The Employer contribution rate will be set accordingly.

As per a Community Admission body, regulations include specific protective provisions with regard to Transferee Admission Bodies specifically the requirement for a risk assessment and either a bond or indemnity. The protection afforded to Scheme employers generally is enhanced by provisions whereby ultimately any shortfall attributable to a Transferee Body would fall to the Transferor Scheme Employer rather than all Scheme employers collectively.

For Transferee Admission Bodies it is acceptable for the original transferring employer to instruct in writing to the Administering Authority that they should waive the requirement for a bond/indemnity and/or other guarantee on the basis of the guarantee provided by the original scheme employer under the Regulations. The

Administering Authority will consider if this is acceptable depending on the covenant of the original scheme employer.

Please note: If you enter into more than one contract which requires admission to the NESPF you will be required to have separate admission agreements for each contract.

2. Employees Eligibility to Join

(a) The Employing body designates employees for admission to the scheme. Designated employees must be under the age of 75.

(b) Designated employees must be admitted to the Fund subject to the requirements of government guidance on Auto-Enrolment full details of which can be found at www.thepensionsregulator.gov.uk.

3. Administration

Pension Administration Strategy (PAS)

The North East Scotland Pension Fund has prepared a Pension Administration Strategy (PAS) which is concerned with ensuring that the Fund operates effectively for its members and Scheme employers. The document details the responsibilities and levels of performance expected from both the Fund and Scheme employers and where additional costs are incurred by the Fund because of a Scheme employer's level of performance **the additional costs will be recovered from that employer.**

On admission to the Fund you will be provided with a copy of the PAS for signing. A draft copy is attached for information.

Employer Discretions

Employers are required to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS.

On admission to the Fund you will be required to provide a copy of that policy statement to the Fund. Attached is guidance on formulating the policy statement.

Administration Requirements

Monthly:

- Contributions are to be deducted from each members pensionable pay and forwarded together with the employer contributions to the Fund by BACs by

the 19th of the following month. Failure to pay or late payment of contributions will be recorded and reported to the Pension Ombudsman.

- To reconcile pension contributions against each member record using our online system, i-Connect. Your online return must be completed by 19th of each month and will be considered the remittance advice which will balance against the contributions paid across to the Fund. Providing information in this prescribed format allows the Fund to meet its regulatory requirements to keep member record up to date and allows to produce member benefit statements annually.

Upon a member leaving/retiring:

- The Fund is to be notified of a member leaving service as soon as possible. Final pay details to be provided by completion of a cessation (Pen 2 form) for any member leaving employment, retiring or opting out of the scheme.

Upon a new member starting:

- Members should be admitted to the scheme in accordance with your admission agreement or auto enrolment requirements. Member contribution rates are to be determined based on the contribution rate tables supplied by the Fund. New start information including salary, start date, date of birth, etc to be uploaded through relevant automated system.

Member Update:

- Any further information to be provided to the Fund as and when required. This includes change of address, notification of leave of absence (including maternity), change of name, etc.

Please note: this is not an exhaustive list. The **NESPF administration guide** provides comprehensive details of the requirements for participating employers and the **Pension Administration Strategy** details the service standards expected.

4. Financial Implications

(a) Members Contributions

Members pay contributions between 5.5% and 11.2% of remuneration depending on their annual rate of remuneration.

(b) Employers' Contributions

Employers' contributions are assessed as a percentage of pensionable payroll at a rate set by the Fund's Actuary. The employers contribution is made to ensure that

sufficient money is in the fund at retirement for the payment of benefits for the rest of the members life to be followed where appropriate by spouse's and children's benefits. The fund must be valued every 3 years when the Employers contributions are reassessed.

(c) Contributions – General

i) "Remuneration" on which both members and employers contributions are assessed includes all the salary, wages, fees and other payments paid to the employee for their own use in respect of the employment and any other payment or benefit specified in the contract of employment as being pensionable.

ii) Members who are liable to pay income tax will receive full tax relief at their highest marginal rate on the contributions they pay.

iii) The Local Government Pension Scheme was "Contracted Out" of the State Second Pension. Both members and employers contributions were partially offset by reduced National Insurance Contributions. However from April 2016 Contracting Out will be abolished and both members and employers will face an increase in National Insurance Contributions.

(d) Any member, over the age of 55, (or age 50 if a member of the scheme as at 5 April 2006) who is declared redundant, or who is retired prematurely on the grounds of efficiency, is entitled to the immediate payment of pension benefits if three months membership of the scheme has been completed or a member has transferred in previous pension rights. Please note that this will apply on the termination of a Fixed Term contract. In these circumstances, the additional costs arising from the premature payment of benefits ("Strain on Fund") will be met by the employer by payment of a lump sum.

More information on what could result in a Strain on Fund cost as well as payment options can be found in the Strain on Fund guide.

(e) Should the admission body cease to be a participating employer within the NESPF then a termination payment will be calculated by the scheme actuary. The admission agreement is considered terminated when:

- i) the contract between the originating employer and the new admission body is completed
- ii) The contract is terminated for any reason by either the admission body or the originating employer
- iii) the last active members within the NESPF leaves the scheme
- iv) the administering authority seek to terminate the admission agreement due to maladministration by the new body
- v) the admission body ceases to exist due to insolvency/wind-up

The termination payment discharges all liabilities within the fund. The admission body is responsible for these liabilities that may have arisen during the period of the contract. Further details on termination can be found in the NESPF Termination policy.

(f) All actuarial and legal costs associated with the admission of a new body to the Fund will be met by the **employer which is seeking admission to the Fund.**

5. Application Process

Process		Timescales
1.	Fund is contacted by body seeking admission	
2.	Fund to provide copy of the Fund's application form for admitted body status and guidance notes. The Fund will at this point notify the body of the application time line.	7 to 10 days from contact
3.	Employer to return completed application form	
4.	Fund to seek Pensions Committee approval for admitted body status	As part of Pension Fund cycle maximum wait 3 months
5.	Fund request actuarial calculation of employer rate and bond if applicable (costs will be charged to applicant)	7 to 10 days of receipt of completed application form
6.	Fund to provide employer with actuarial information	10 to 20 days in accordance with actuarial timeline
7.	Scheme employer to provide confirmation of guarantee if applicable (Committee meeting is available)	As part of employer meeting cycle
8.	Admission Agreement to be drafted and issued to new body for comment	2 to 3 weeks from confirmation of guarantee
9.	Admission Agreement to be issued to new body for comment	7 to 10 days of receipt of actuarial calculation
10.	Admission Agreement to be finalised	On implementation of guarantee or bond
11.	Employer Relationship Team to liaise with new employer re scheme administration requirements and signing of PAS	7 to 10 days following signing of admission agreement
12.	Employer publishes and provides the NESPF with a copy of their discretionary policy statement	Within 3 months of admission

6. Contact Details

For more information or if you have a question about the LGPS please contact:

Employer Relationship Team

North East Scotland Pension Fund
Corporate Governance
Business Hub 16
3rd Floor West
Marischal College
Broad Street
Aberdeen
AB10 1AB

T: 01224 264157
E: employer@nespf.org.uk
W: www.nespf.org.uk

7. Glossary

Actuary

The Scheme Actuary is appointed under Local Government Pension Scheme regulations. The Actuary is responsible for the calculation of the triennial valuation, in addition to any rate adjustment and revisions that occur when an employer joins or leaves the scheme. The North East Scotland Pension Fund's appointed Actuary is Mercers.

Admission Agreement

An admission agreement sets out the terms and condition for either a community or transferee admission body to be admitted to the Fund. The document is signed on behalf of the Fund, the body seeking admission but may also be signed by the transferring body which acts as guarantor for a transferee body.

Administering Authority

The local authority responsible for running a Local Government Pension Fund. For the Grampian region, Aberdeen City Council manages the Pension Fund and does so through the North East Scotland Pension Fund.

Community Admission Body

Community Admission Bodies are typically charities or other public sector bodies which have a "community of interest" within local government.

Covenant

An employer covenant underpins its legal obligations and ability to fund the Scheme now and in the future. The covenant underwrites the risks to which the Scheme is exposed, including underfunding, longevity, investment and market forces.

Discretion

The power given by the LGPS to enable Employers or administering authorities to choose how they will apply certain provisions of the scheme.

Guarantor

A guarantor takes responsibility for the assets and liabilities of the Pension Fund which are attributed to the Transferee or Community Admission Body. In the event that the liabilities of the admission body remain unpaid, then the Pension Fund can seek payment from the guarantor

Indemnity/ Bond

Where there is no Guarantor a bond is required to protect the Fund from any orphan liabilities that may arise as a result of the termination of the admission agreement. A bond assessment will be carried out by the scheme actuary as part of the admission process and will be reviewed as part of the triennial valuation. A guarantor may also require a bond to be put in place as an indemnity.

Open/Closed Scheme

An admission body has the right to determine which staff it wishes to admit to the scheme. This can either be open on an ongoing basis to new staff or closed to all staff after a specific date. Transferee Admission Bodies with a guarantor on Admission would usually have a closed arrangement to limit the liabilities for the guarantor.

Please note: contribution rates are evaluated during our triennial valuation and scheme status is used to determine employer contribution rates. Closed schemes that do not allow for new members pay higher contributions than open schemes.

Orphan Liabilities

Orphan Liabilities arise when an employer ceases to exist and there is no guarantor or bond to pay their liabilities. The cost of these liabilities then falls upon all scheme employers.

Strain on Fund

An active member may receive their pension benefits early if their contract is terminated on any of the following grounds; redundancy, business efficiency, early retirement with employer consent or flexible retirement. Any early payment of pension benefits may create a 'Strain on Fund' which is payable as a one off cost by the employer.

Transferee Admission Body

Transferee Admission Bodies generally provide services or assets in connection with a Scheme employer. This is usually agreed by means of a contract between the scheme employer and transferee body.