



## **Local Government Pension Scheme (LGPS)**

### **50/50 Section Membership from April 2014 – Employer Guidance Notes**

- All new eligible employees must be contractually enrolled into the main section of the 2014 Scheme upon commencement of employment. Optant outs electing to re-join and those being automatically enrolled or re-enrolled under the provisions of the Pensions Act 2008 must also be placed in the main section. An employee with one job, who commences a further, concurrent job, must be placed in the main section in the new job.
- From April 2014 all members have the option to elect at any time to pay half their normal contribution and build up half of their normal pension; their accrual rate becomes 1/98<sup>th</sup> instead of 1/49<sup>th</sup> (see paragraph below regarding death in service and Tier 1 and 2 ill health retirement). The reduction in contribution would apply from the beginning of the next available pay period.
- If an employee has more than one job they can elect for the 50/50 section in one, some or all of their jobs, and can elect to move between the main and 50/50 sections of the Scheme any number of times.
- An employee cannot complete a 50/50 election prior to becoming a member of the main section of the 2014 Scheme. They can then elect to join the 50/50 section, and if they do so before the first payroll is closed they can be brought into the 50/50 section from the first day of their employment.
- Any period of service built up while paying reduced contributions will be calculated at 1/98<sup>th</sup> of the member's pensionable pay (or assumed pensionable pay where applicable).
- If a member dies in service or retires with a Tier 1 or Tier 2 ill health pension whilst in the 50/50 section the lump sum death grant (in the case of death in service) and the amount of ill health enhancement granted (in the case of ill health retirement) will be calculated as if the member was in the main section of the Scheme.

#### **Impact of the 50/50 section upon employer contribution rates**

- The employer contributions are not halved and remain payable in full, with the impact accounted for at the next triennial valuation.

## **Administration requirements upon receipt of a 50/50 election**

- Members can elect to move from the main section (and vice versa) as many times as they wish. The member can request a copy of the 50/50 election form from the employer or can download it from Durham County Council Pensions web site at [www.durham.gov.uk](http://www.durham.gov.uk) (then search for 'Pensions'). The form should be returned to the employer.
- Employers should action the "Official Use" section and notify payroll to adjust the contribution rate from the next pay period. A copy of the election must be forwarded to the Fund including notification of the revised contribution rate and applicable date.
- Employers are required to maintain a record, per job, of the section the member was in at year end (or date of leaving if earlier). Employers should confirm to the Fund which section the employee was in at the end of the scheme year (or date of leaving), and if they switched sections within the scheme year – the effective date of any switches.
- For each section of the scheme, employers are required to maintain a record, per job, of the cumulative pensionable pay paid and employee contributions deducted during membership of that section within the scheme year.

## **The 50/50 section and absence with no pay**

- If an employee is in the 50/50 section and goes onto no pay due to sickness or injury, or during a period of ordinary maternity leave, ordinary adoption leave or paternity leave, the employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time. The employee can choose to make a further 50/50 election which, if made before payroll is closed, would mean continuous 50/50 membership.

## **The 50/50 section and automatic re-enrolment**

- If an employee is in the 50/50 section they must be moved back to the main section from the beginning of the pay period following the employers' "automatic re-enrolment date". The employee would have the right to make a further 50/50 election which, if made before the payroll is closed, would mean they would have continuous 50/50 membership. Note that the initial staging date for those employers yet to meet their staging date has no implication on 50/50 elections.

## **Switching to the main section**

- If an employee is moved back to the main section due to absence with no pay or automatic re-enrolment the employer will need to notify the Fund of the applicable date and amended contribution rate. This also applies if an employee informs their employer that they wish to move back into the main section.

## The 50/50 section and existing additional pension contributions

If a member elects to move to the 50/50 section any existing:

- additional pension contribution (APC) contract which is at whole cost to an employee **other than** those to purchase an amount of pension “lost” due to a trade dispute or during a period of authorised unpaid leave of absence or during a period of unpaid additional maternity, paternity or adoption leave must cease and,
- shared cost additional pension contribution (SCAPC) contract **other than** one to purchase an amount of pension “lost” during a period of authorised unpaid leave of absence or during a period of unpaid additional maternity, paternity or adoption leave must cease.

Upon commencement in the 50/50 section any existing contributions to:

- an Additional Voluntary Contribution (AVC) or Shared Cost Additional Voluntary Contribution (SCAVC), or
- an additional pension contribution (APC) contract to purchase an amount of pension “lost” due to a trade dispute or during a period of authorised unpaid leave of absence or during a period of unpaid additional maternity, paternity or adoption leave, or
- a shared cost additional pension contribution (SCAPC) contract to purchase an amount of pension “lost” during a period of authorised unpaid leave of absence or during a period of unpaid additional maternity, paternity or adoption leave, or
- an additional regular contribution (ARC), added years, Preston part-time buy-back, or additional survivor benefit contribution (ASBC) contract / arrangement in force prior to 1 April 2014

are **not** reduced to half rate. The contributions under such contracts /arrangements continue to be paid in full i.e. the full percentage rate or flat rate sum due under the relevant contract / arrangement, unless the member elects to end the contract.

Payments under existing ASBC contracts at 31 March 2014 are expressed as a percentage of the member’s full time equivalent pensionable pay (2008 Scheme definition of pensionable pay). The contributions should only be deducted on the 2008 Scheme definition of pensionable pay i.e. excluding any pay that is pensionable in the 2014 Scheme but which was not pensionable in the 2008 Scheme – such as non-contractual overtime.

Payments under existing (Preston) part-time buy-back contracts as at 31 March 2014 continue to be payable as flat sums payable per pay period (not percentages of pensionable pay).

Payments under existing added years contracts at 31 March 2014 are expressed as a percentage of the member’s pensionable pay (2008 Scheme definition of pensionable pay). The contributions should only be deducted on the 2008 Scheme definition of pensionable pay i.e. excluding any pay

that is pensionable in the 2014 Scheme but which was not pensionable in the 2008 Scheme – such as non-contractual overtime.

Contributions under existing ARC contracts at 31 March 2014 continue to be payable as flat sums payable per pay period (not percentages of pensionable pay).

### **The 50/50 section and new additional pension contributions**

A member electing for 50/50 can take out an Additional Pension Contribution (APC) arrangement or a Shared Cost Additional Pension Contribution (SCAPC) arrangement to purchase an amount of pension “lost” due to a trade dispute or unpaid authorised leave of absence, including a period of unpaid additional maternity, paternity or adoption leave.

A member electing for 50/50 can take out an Additional Voluntary Contribution (AVC) arrangement or a Shared Cost Additional Voluntary Contribution (SCAVC) arrangement.