

## **COUNCIL**

**18 MARCH 2014**

### **REPORT OF THE PORTFOLIO HOLDER FOR OPERATIONS AND ASSETS**

#### **PENSION BANDING POLICY**

##### **PURPOSE**

This report details Tamworth Borough Council's proposed Pension Banding Policy required under the new LGPS 2014 regulations coming into force on 1<sup>st</sup> April 2014.

##### **RECOMMENDATIONS**

###### **That Council**

- **Approve the proposed Pension Banding Policy for formal consultation with Trade Unions.**

##### **EXECUTIVE SUMMARY**

With effect from 1<sup>st</sup> April 2014 the New LGPS 2014 pension scheme comes into force. Changes within the new scheme will have implications for the banding and re banding of employee's pension % rates.

The key points of the policy are:

- 1) Employers to take a reasonable and consistent approach to banding and re banding employee pension rates.
- 2) Overtime and other temporary payments will now be pensionable. Employees will pay contribution rates depending upon their actual level of pensionable pay for the year which will include overtime and other temporary payments.
- 3) A new 50/50 scheme where an employee can opt to pay 50% contributions for 50% benefits (conditions apply) Employers rate remains at full %.
- 4) Re banding to occur annually in April each year.
- 5) Employees have the right to appeal within 6 months against the decision of their pension band. The appeal would be heard by the internal adjudicator and the pension administrators, Staffordshire County Council.
- 6) Tamworth Borough Council has to appoint an internal adjudicator.
- 7) Communication from Staffordshire County Council has already been sent out to employees with regard to the main changes of the scheme.
- 8) Employees will be notified annually of any change to their pension band.
- 9) This new process will need system configuration by the Payroll Manager and from the software suppliers.
- 10) This does not apply to Members pension scheme.

This statement has been communicated to all recognized Trade Unions and in accordance with the Act will need to be formally approved by the Council.

##### **RESOURCE IMPLICATIONS**

These changes and the new policy will draw significant resources from the Payroll team. Additional configuration will be required in the Itrent system to support the new regulations including the set up of:

- System configuration for the re banding annual process.
- New elements for pensionable pay
- New scheme elements for April 2014 pay
- A new 50/50 scheme.
- Management of single employment relationships
- Returns to Staffordshire County Council

TBC are currently awaiting confirmation from our software suppliers with regard to the system changes that will support the LGPS 2014 changes on Itrent. The pension re banding bulk update will require tailoring to our specific needs as detailed above and will require consultancy. It is estimated that 2 days consultancy will be required at approximately £2000. We are currently waiting for prices to be confirmed from our software suppliers. This cost can be met from the unspent element of the HR / Payroll System upgrade capital budget. The remainder of this budget will be required for the development of the HR side of the system.

Additional administration will be required in the first instance for putting procedures and processes in place to ensure compliance, system configuration and communication to the workforce. Additional monthly administration will be required for re banding employees with material changes and notifying Staffordshire County Council. Additional to the annual pension year end returns, a new monthly pension return will be required to be sent to Staffordshire County Council. Additional queries from Staffordshire County Council on employees pay as the career average scheme is dependant on the correct current earnings and not annual figures. The additional duties associated with the new pension scheme requirements can be absorbed within existing staffing resources.

## **LEGAL/RISK IMPLICATIONS BACKGROUND**

Any loss to the pension fund would be a cost to the employer via valuation of employer rates. However, as employees with material changes will be re banded on an ad-hoc basis, it will only be employees with overtime that may be affected as changes will be assessed on the last 12 months overtime earnings. Casuals in the pension scheme will be reviewed 6 monthly.

## **BACKGROUND INFORMATION**

The purpose of the statement is to provide information, and confirm processes with regard to our employer duties for New LGPS 2014 regulation changes. Once approved by full Council, this policy will come into immediate effect and will be subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

**Re banding** - It is proposed to only re band in April of each year unless a change of circumstance has occurred. This will take into account all permanent pensionable pay plus the previous 12 months overtime and other temporary pensionable payments.

Staffordshire County Council has confirmed it is not reasonable to re band employees every month.

Risk : Any loss to the pension fund would be a cost to the employer via valuation of employers rates.

**Additional hours paid in April 2014** - Any hours worked in March but paid in April 2014 will be under the old rules and will not be pensionable. Any hours worked in April and paid in May 2014 will be the new rules and pensionable.

Due to dual running both scheme rules in April 2014, new elements will need to be set up on the payroll system to accommodate both sets of rules.

**Single employment relationships** - Payroll will need to be advised if a single employment relationship exists so that they can assess, record correct pension records on the payroll system and return correct pension records to Staffordshire County Council on a monthly basis. System changes will be required to ensure we are compliant with the LGPS regulations.

**Tamworth Adjudicator** - An employee has the right to appeal against the decision of their rate. In the first instance they should contact the Payroll Manager, however if they are not happy with the decision, they have the right to appeal via an internal adjudicator. The Director of Finance has been appointed as internal adjudicator to carry out these reviews if required.

#### **REPORT AUTHOR**

Tina Beech : Payroll Manager

#### **LIST OF BACKGROUND PAPERS**

Pension Banding Policy