

# Becoming an employer in the Fund



**lgps** | Local Government  
Pension Scheme

**[www.eastsussexpensionfund.org](http://www.eastsussexpensionfund.org)**

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## How does the LGPS work?

The Local Government Pension Scheme (LGPS) is a defined benefit public sector pension scheme. The LGPS is mainly for local government employees or employees from companies working for or with local government. The LGPS is one of the largest defined benefit schemes in the world.

Each Fund is run by an 'administering authority' which has some discretion over how to administer the LGPS, locally, but the rules of the LGPS are largely set out in the following regulations:

- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme Transitional Provisions, Savings and Amendment Regulations 2014
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

## Funding

The LGPS is a funded scheme (meaning that contributions are paid to a fund which is invested and from which benefits are paid at retirement). Each employer is given a notional asset allocation.

Upon joining the Fund, you would take responsibility for funding the pension benefits of your members, referred to as your 'liabilities'. The value of your notional assets against the value of your liabilities is known as your 'funding position'.

Every three years a 'health check' of the Fund, known as the 'triennial valuation', is carried out to assess the level of assets and liabilities held by each employer, at the date of the valuation. If you do not have enough notional assets to fund your liabilities, you will have a 'pension deficit' and will need to pay extra contributions to cover the short fall.

Some Admitted Bodies have a fixed passthrough rate where the employer contribution rate is set for the duration of the contract, so will not be included in any triennial valuation exercise.

Academies benefit from a stabilised contribution rate, set by the Administering Authority. This prudent long-term approach has been set in the interests of stability and affordability for Academies, as suggested by the Fund Actuary.

## Employer pension contributions

The contributions paid into the Fund by employers varies from employer to employer and the contribution needed from each is calculated by the Fund's actuary.

When you first join the Fund, the actuary will calculate the contribution rate that you will be required to pay. These rates are calculated to ensure that you have enough notional assets to match your liabilities, and will be reassessed every three years, at the valuation. As stated above Academies benefit from a stabilised contribution rate, and so you will not be required to pay more than this rate. The latest Fund valuation took place in 2022 with new employer contribution rates applying from 1 April 2023. The next valuation takes place in 2025, setting rates from 1 April 2026.



Other costs an LGPS employer is liable to pay include, but are not limited to:

- Ill-health assessment costs
- Pension strain costs (for example in the case of redundancies)
- Actuary/Administrative/Legal costs for non-standard work
- Exit costs
- Outsourcing/TUPE associated costs

You should also be aware that employers may be issued charges in accordance with the [Pensions Administration Strategy](#) if you fail to meet your responsibilities.

## Member benefits

The LGPS is a career average scheme meaning that a member's benefits are based the amount of pensionable pay they earn each year.

However, this was not always the case; before 1 April 2014 benefits were calculated using a member's final salary at the point, they left the scheme and this continues to be the case for any benefits built up before that date.

Members who joined the LGPS before 1 April 2014 could have their pension based on three different calculations.

The following is a summary of these calculations and for what period of membership they apply.

## **Pension benefits built up before 1 April 2008**

Pensions built up before this date are based on 1/80th of a member's final salary multiplied by their membership before 1 April 2008. In addition to this, the benefits a member receives will also include an automatic tax-free lump sum worth 3 times their pension.

**Final Salary / 80 x Membership + Lump Sum**

## **Pension benefits built up from 1 April 2008 to 31 March 2014**

Benefits built up between these dates are based on 1/60th of a member's final salary multiplied by their membership between 1 April 2008 to 31 March 2014. When you take your pension, you can choose to swap some of it for a tax-free lump sum. For every £1 of annual pension you give up you will receive £12 of tax-free lump sum. HM Revenue and Customs (HMRC) rules mean that most people can take up to 25% of the capital value of their pension benefits as a tax-free lump sum.

**Final Salary / 60 x Membership**

## **Pension benefits built up from 1 April 2014**

Benefits built up from 1 April 2014 are based on  $1/49$ th of a member's pensionable pay, for each year of membership. At the end of each year, the benefits are adjusted to take into account the cost of living. The same thing then happens for each year of membership. When you take your pension, you can choose to swap some of it for a tax-free lump sum. For every £1 of annual pension you give up you will receive £12 of tax-free lump sum. HM Revenue and Customs (HMRC) rules mean that most people can take up to 25% of the capital value of their pension benefits as a tax-free lump sum.

### **Pensionable pay for the year / 49 + cost of living adjustment**

Since 1 April 2014, members have also had the choice of joining the 50/50 section of the scheme. In this section of the scheme, benefits are based on  $1/98$ th of a member's pensionable pay, for each year of membership in this section of the scheme. The benefits are adjusted at the end of the year to take into account the cost of living.

### **Pensionable pay for the year / 98 + cost of living adjustment**

## Employer responsibilities

As an employer in the Fund, you will play a key role in the administration of the LGPS. This means that you will have a number of responsibilities. Full details, including deadlines and expectations, will be provided as part of the application process. You must ensure that you have arrangements in place to fulfil these responsibilities.

KNOW YOUR

ROLE



We can only provide a quality service to you and your members if these responsibilities are fulfilled quickly and accurately.

Your main responsibilities are:

- determine the eligibility for scheme membership, bringing eligible employees into the LGPS and dealing with opt outs
- let us know of new pensionable employees
- let us know of any material changes to pensionable employees, such as changes in hours and absence information
- process leavers, including retirements and deaths in service
- process ill health cases

- provide accurate contribution and membership data
- collect and pay over employer and employee contributions and any additional voluntary contributions
- meet employer costs
- make appropriate decisions when needed and fulfil the employer role within the internal dispute resolution process
- prepare, publish, and periodically review your employer discretions policy.

## **Auto enrolment**

Every employer with at least one member of staff now has duties, including enrolling those who are eligible into a workplace pension scheme and contributing towards it. This is called 'automatic enrolment'.

The main requirement is for employers to auto-enrol all Eligible Jobholders into a Qualifying Pension Scheme (the LGPS for example) with effect from the employer's Staging Date. An employer's staging date is the date from which the automatic enrolment duties apply to them. New employers have a 'duties start date' instead of a staging date. The duties start date is the date a new employer's automatic enrolment duties begin. It is the date the new employer's first worker begins to be employed i.e., the date the first worker's contract of employment with the employer takes effect.

Rules also apply surrounding opt-outs (making it more difficult for members to opt out of the scheme) and employers must re-enrol staff who have opted out after a period of three years. Further information on auto enrolments can be found by clicking on the link to the document below.

[Employer Toolkit – Auto enrolment](#)



## Providing employee data

Most East Sussex Pension Fund employers use i-Connect system to provide member data (more information below). The Fund are working to onboard all employers onto i-Connect, rather than providing manual spreadsheets each month and an annual return.

i-Connect is a cloud-based system designed to allow a flow of employee information from your payroll system to East Sussex Pension Fund's administration platform (Altair).

The i-Connect software allows employers to provide payroll information in a secure manner and negates the need to provide end of year reporting. The monthly data uploads will inform the Fund of new Joiners and leavers, pay and contribution data and changes to members personal details or contact information.

The benefits of using i-Connect:

- Reduce the number of forms you must submit
- Faster response to employer enquiries
- Faster processing of benefits for employees from real time data
- A safe easy to use portal to send data securely
- Remove the need to manually complete end of year reports

The system has been provided to us by our Software supplier who provide standard users guides. In addition, the Fund have developed our own supplementary guides which sits alongside the Heywood's specification document. The Fund has a team in place to support new employers to onboard onto i-Connect.

## Outsourcing/TUPE

If you are an LGPS Fund employer considering outsourcing a service, you need to ensure you are considering pension issues during the procurement phase and especially when the tender specifications are drawn up.

When staff TUPE transfer to a new contractor, there are specific pension requirements that any prospective contractor will need to meet as well as checks that you will need to carry out in regard to pensions before you can proceed.

There are also costs involved that you need to be aware of. Due to the nature of the process, it can take some time to approve a new employer for admitted body status. You should ensure you have allowed for this.

We have a guide available which is intended to be a starting point for Contracting Authorities when considering their obligations with regards to pension protection as part of any outsourcing process. It also provides a high-level explanation of the process of obtaining admitted body status in the East Sussex Pension Fund.

[Outsourcing and Admission Agreement Guide \(eastsussexpensionfund.org\)](http://eastsussexpensionfund.org)



## Change of payroll provider

If you want to change payroll provider at any point there are lots of things to consider in relation to the Pension Scheme before you proceed, so please let us know as soon as possible if you are planning to change your payroll provider. This is particularly important for employers sending data via i-Connect.

As i-Connect submissions are a key method of ensuring accurate and timely data reaches the Fund, employers must ensure that i-Connect responsibilities are communicated to any prospective payroll provider prior to any change of payroll provider taking place. This is important as the prospective payroll provider must be aware of and capable to deliver their i-Connect obligations and responsibilities.



Ideally payroll provider changes run more smoothly if a payroll provider is changed from the start of the pension scheme year (1 April) as this can have implications on cumulative values and other key information not being carried over.

If you are considering a change of payroll provider, we would recommend early engagement with the i-Connect team who would be happy to provide further detail and help on the specifications needed. Please email [employer.engagement@eastsussex.gov.uk](mailto:employer.engagement@eastsussex.gov.uk).

## Access to support

Employers have access to support services to aid you in fulfilling your duties.



These include:

- An [Employer Engagement Team](#) to answer your queries, support with difficult cases, or provide one to one training
- Specific support in onboarding onto and maintaining i-Connect records
- A number of guides, forms, and booklets - <https://www.eastsussexpensionfund.org/forms-and-publications/>
- Training for you and your staff
- An annual Employer Forum where we provide training and guidance relating to the Local Government Pension Scheme for employers
- Regular newsletters, providing you with key updates

## Scheduled bodies

### Who can become a Scheduled body in the Fund?

Who can and cannot become an employer in the LGPS is set out in schedule 2 of the Local Government Pension Scheme Regulations 2013. Organisations listed in parts 1 and 2 of the schedule are known as ‘Scheduled bodies’ and automatically have the right to offer LGPS membership to eligible employees.

#### Part 1 Scheduled bodies

If you are listed in part 1 of the schedule you must enrol eligible employees into the LGPS.

This list includes but is not limited to:

- County and District Council’s
- Combined Authorities
- Fire and Rescue Authorities
- Police and Crime Commissioners
- Chief Constables
- Further and Higher Education Corporations
- Sixth form colleges
- Academies

#### Part 2 Scheduled bodies

If you are listed in part 2 of the schedule you do not have to offer the LGPS but can choose to offer membership to all or some of your employees. You will simply need to pass a resolution designating which employees are eligible to join the Scheme. Employers in this category are also known as ‘Designating’ or ‘Resolution’ bodies.

This list includes but is not limited to:

- Parish Councils
- Subsidiaries of County or District Councils
- Other precepting authorities not listed in part 1

Please be aware that, for those listed in part 2, the LGPS is not the only choice available to fulfil your duty of providing a workplace pension scheme. You should consider your options carefully before passing a resolution to offer the LGPS.

## What is the process for joining?

If you wish to participate in the LGPS and are one of the types of bodies listed above, you should contact us as early as possible, ahead of the date you need or wish to provide access to the LGPS for your employees.

We will need to collect data from you about any employees that will be eligible for membership of the LGPS on day one, set a contribution rate for you to pay and discuss any options available to you and any decisions that you will be required to make. Once all of this has been done, you will be able to offer the LGPS to your employees. If you are included in the second list and classed as a Designating body, you will also need to pass a resolution naming who will be eligible for the LGPS.

If you are included in the first list above and are classed as a Scheduled Body, you will be required to provide access to the LGPS as soon as you employ an eligible person. If you are a Designating body the resolution will need to be passed by your trustees, full Council, or company directors before you can take part in the LGPS. It is therefore important that all the above has been completed in advance of the date you wish to begin participation.

If you are reading this page, it may be time to contact us. You can do so now by emailing [employer.engagement@eastsussex.gov.uk](mailto:employer.engagement@eastsussex.gov.uk).

As an employer in the LGPS you will need to pay a contribution towards your employees' pensions. This is in addition to contributions paid by employees themselves. As part of the onboarding process, we will inform you what this contribution rate needs to be.

In addition to paying employer contributions, there are other costs associated with joining and taking part in the LGPS. The Fund's actuary sets the contribution rate.

## What information do I need to give you?

In addition to the initial member information on admission, we will require you to provide us with new starter and leaver information; monthly data via i-Connect; monthly contribution returns known as an LGPS 31; and other employer required information.

## Academies

### Who can become an employer in the Fund?

Who can and cannot become an employer in the LGPS is set out in Schedule 2 of the Local Government Pension Scheme Regulations 2013. Academies are a type of “Scheduled Body,” listed in part 1 of the schedule. This means that academies have an automatic duty to offer LGPS membership to employees not eligible for the Teachers’ or any other public sector pension scheme.

Part 1 of Schedule 2 lists “a proprietor of an Academy” as a scheme employer. This means that if an academy is part of a multi-academy trust, the Trust is recognised as the employer, not the individual academy. This means that the Trust is responsible for ensuring that all employer duties are carried out.

If you are a multi-academy trust, you will need to let us know if you take on a new academy or if an existing academy joins your trust.

### What is the process for joining?

If you are opening a new Free school, converting to academy status or if you are a Trust taking on a new academy, you will need to contact us as early as possible before the event.

We will need to collect data from you about your eligible employees, set a contribution rate for you and calculate the value of assets and liabilities that you will inherit.

If you are reading this page, it may be time to contact us. You can do so now by emailing [employer.engagement@eastsussex.gov.uk](mailto:employer.engagement@eastsussex.gov.uk)

### Will it cost me anything to participate in the LGPS?

Yes, as an employer in the LGPS you will need to pay a contribution towards your employees’ pensions. This is in addition to contributions paid by employees themselves. As part of the onboarding process, we will inform you what this actuarially assessed contribution rate needs to be.

In addition to paying employer contributions, there are other costs associated with joining and participating in the LGPS, for example Ill Health referral costs, strain costs born from redundancy payments, costs for actuarial work and outsourcing costs.

### What information do I need to give you?

In addition to the initial member information on admission, we will require you to provide us with new starter and leaver information; monthly data via i-Connect; monthly contribution returns known as an LGPS 31; and other employer required information.

## Admitted bodies

## Who can become an admitted body employer in the Fund?

Who can and cannot become an employer in the LGPS is set out in Schedule 2 of the Local Government Pension Scheme Regulations 2013. Admitted bodies can be admitted if they fulfil one of the below criteria and an admission agreement is entered into:

- (a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise).
- (b) a body, to the funds of which a Scheme employer contributes.
- (c) a body representative of-
  - (i) any Scheme employers, or
  - (ii) local authorities or officers of local authorities.
- (d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-
  - (i) the transfer of the service or assets by a contract or other arrangement,
  - (ii) a direction made under section 15 of the Local Government Act 1999 (Secretary of State's powers),
  - (iii) directions made under section 497A of the Education Act 1996.
- (e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

## What is the process for joining?

If you have been awarded a contract; soon to commence a contract or are considering bidding for a contract containing LGPS members, you will need to contact us as early as possible before the event. We will need to collect data from you about your eligible employees, set a contribution rate for you and calculate the value of assets and liabilities that you will inherit. You will also need to enter into an admission agreement with the ceding employer, and once this agreement has been approved by the relevant fund's Pensions Board you will be granted admitted body status. If you are reading this page, it may be time to contact us. You can do so now by emailing [employer.engagement@eastsussex.gov.uk](mailto:employer.engagement@eastsussex.gov.uk)



## Will it cost me anything to participate in the LGPS?

Yes, as an employer in the LGPS you will need to pay a contribution towards your employees' pensions. This is in addition to contributions paid by employees themselves. As part of the onboarding process, we will inform you what this contribution rate needs to be.

In addition to paying employer contributions, there are other costs associated with joining and participating in the LGPS. The Fund's actuary sets the contribution rate.

Throughout the duration of your admitted body status, there will be ongoing costs regarding bond renewals, additional actuarial work, and final cessation costs. We can advise you of this on enquiry.

## What information do I need to give you?

In addition to the member information on admission, we will require you to provide us with new starter and leaver information; monthly data via i-Connect; monthly contribution returns known as an LGPS 31, and other employer required information.

## Exiting the LGPS

You become an exiting employer if:

- you are a designated body (schedule 2, part 2) and your last active LGPS member leaves your employ or retires, and you decide to offer an alternative pension provision to your employees in the future.
- you are an admitted body (schedule 2, part 3) and your last active member leaves your employ or retires, or your contract ends.
- you are a Fund employer (schedule 2, part 1, 2, 3 or 4) who becomes insolvent.

If any of these circumstances apply, we will need to carry out a cessation valuation to assess the cost of any remaining liabilities you have to the Fund. There is a charge for carrying out the cessation valuation for which you will be liable. Contact us for the current fees.

The cessations valuation will reveal whether you have a deficit and therefore owe a payment to the Fund (exit payment), or whether you are in surplus, in which case the Fund may consider paying an exit credit. Funds exercise discretion over who and in which circumstances an exit credit can be made. If you do not have any active members left in the scheme, but you expect that you may offer the LGPS to employees within 3 years of becoming an exiting employer, we may be able to issue a 'suspension notice'.

More information can be found in your Admission Agreement (if you are an admitted body) as well as the [Funding Strategy Statement](#).

The circumstances where the Fund would consider an alternative arrangement to a lump sum payment to meet employer exit payments are set out in the [Deferred debt and debt spreading policies document](#).

It is important that you inform us as soon as you are aware that you may exit the scheme so that we can start preparing and inform the Fund actuary.

If you require any information about leaving or joining the scheme, or you need to discuss anything on this page, contact us at [employer.engagement@eastsussex.gov.uk](mailto:employer.engagement@eastsussex.gov.uk).