

## ***Guide for Prospective Employers - A guide for employers looking to join the Greater Manchester Pension Fund***

This guide aims to give answers to the following questions:

1. What is the LGPS and how does it work?
2. Who can join as an employer of the GMPF?
3. Do we have the choice as to whether we can join or not?
4. What is the process for applying to join?
5. If we join, what will our responsibilities be?
6. And if we join, what will it cost us?

### ***1. What is the LGPS and how does it work?***

#### *1.1 Background*

The Local Government Pension Scheme (LGPS) is a public sector pension scheme primarily for local government employees in England and Wales. The LGPS is a statutory, funded, career average revalued earnings (CARE) pension scheme with its rules being set out in the following sets of regulations:

- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) (the Benefits Regulations)
- The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (the Administration Regulations)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended) (the Transitional Regulations)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
- The Local Government Pension Scheme Regulations 2013 (as amended including Statutory Instrument 2014 No. 1146)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

#### *1.2 Funding*

The LGPS is a 'funded' scheme, meaning that the pension contributions received are invested to provide each fund with assets, from which it can pay benefits.

Both employees and employers contribute to the LGPS. Employees' contributions are based on a members pensionable pay, whilst employers' contributions vary, depending on how much is needed to ensure benefits are properly funded. The Fund's actuary sets each employer's contribution rate as part of the actuarial valuation of each fund's assets and liabilities, which takes place every three years.

### *1.3 Employee contribution rates*

The rate members pay is now based on actual pensionable pay. Payment for non-contractual overtime now counts as pensionable pay too. Members can now elect to join the 50/50 section where they will only pay half the normal contribution rate (but employers must continue to pay the full employer contribution rate for their 50/50 members).

Please note the member contribution rate bands are set by the Government and are revised each April in line with the statutory increase in pensions.

The up to date bands for members' contributions from 1<sup>st</sup> April to 31<sup>st</sup> March as well as previous contribution rates can be found on our members' website:

<http://www.gmpf.org.uk/cost/paybands.htm>

### *1.4 Employer contribution rates*

The rate that an employer pays is set by the Fund's actuary and varies from employer to employer. The rates are published as part of the Fund's valuation report, a copy of which can be found on the Fund's website under 'V' on the A to Z section.

### *1.5 Members Benefits*

The LGPS is a Career Average pension scheme and benefits are not dependant on investment performance. Employees who join the Fund build up a pension pot which is revalued each year in line with Consumer Price Index (CPI).

If a member has LGPS membership before 1<sup>st</sup> April 2014 they will have accrued benefits based on membership and final pay in accordance with the previous Final Salary pension scheme.

### *1.6 Administering Authorities*

The LGPS is split into separate pension funds. Each fund is run by an 'administering authority'. Administering authorities are required by the Scheme rules to run these pension funds. Tameside MBC administers the Greater Manchester Pension Fund (GMPF) and has specific duties including looking after Fund money and determining the amounts of benefits payable to Fund members in line with LGPS Regulations.

### *1.7 Employing Authorities*

Employing authorities are bodies whose employees can join the LGPS. Some, such as county councils, district councils, academies and further and higher education corporations are named in the LGPS regulations as employing authorities. They are called 'Scheme employers'. They automatically take part in the Scheme and the Scheme rules assign them a fund in their own locality. Administering authorities can admit bodies that are not Scheme employers but that satisfy certain other conditions, to their funds. We call these bodies 'admission bodies' and they are treated in line with LGPS regulations.

### *1.8 Specific responsibilities as defined in the regulations*

Scheme employers contribute to the fund they take part in for each employee of theirs who is a member. They are responsible for collecting employees' contributions and for paying both those and their own employer contributions to their administering authority. Scheme employers and administering authorities have distinct decision-making and administrative duties under the regulations.

### *1.9 GMPF Governance – Pension Fund Management Panel, Advisory Panel and Working Groups*

The Pension Fund Management Panel carries out a similar role to the trustees of a pension scheme. They are key decision makers for investment management, monitor investment activity and performance, oversee administrative activities and provide guidance to officers in exercising delegated powers. The Pension Fund Advisory Panel works closely with the Management Panel and advises them in all areas. The GMPF also has six working groups that consider particular areas of its activities and make recommendations to the Management Panel.

### *1.10 GMPF Pensions Service Units*

The Executive Director of Pensions is the administrator of the Fund. The directorate is split into five service units being Pensions Office, Fund Accountancy, Investments, Property and Legal.

## **2. Who can join as an employer of the GMPF?**

### *2.1 Scheme Employers*

Scheme employers are listed in Schedule 2 Parts 1, 2 and 4 of the Local Government Pension Scheme Regulations 2013.

Schedule 2 Part 1 scheme employers have a statutory obligation to participate in the LGPS and its employees have the right to join the LGPS (assuming they meet the entry requirements). Please note the list is amended from time to time.

Schedule 2 Part 2 bodies are bodies that can designate employees for access to the Scheme. This list can also be amended from time to time. It includes town and parish councils and passenger transport executives. Employees of these bodies have the right to join the LGPS if they are covered by the employer's published admission policy or, if there is no admission policy, if their employer designates them as a member.

Schedule 2 Part 4 bodies are a mixture of employers where another body is deemed to be the scheme employer. For example bodies such as a governing body of a foundation/voluntary aided schools (these include Trust schools that are foundation schools and foundation special schools). Although the employees of these schools are employees of the governing body of the school, they are treated for the purposes of the LGPSR13 as if they were employees of the local authority in their area. Therefore the local authority is the scheme employer for pension purposes and is responsible for pension matters. Persons in the first column of the table in Part 4 of Schedule 2 are eligible for membership.

## 2.2 Admission Bodies

Schedule 2, Part 3 of The LGPS Regulations 2013 details the admission bodies with whom GMPF may make an admission agreement;

- (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 means of 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.

Most admission bodies fall under Schedule 2, Part 3, 1(a) or 1 (d) (i).

**Schedule 2, Part 3, 1(a)** (formerly known as a community admission body) is 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).

It is admitted to the Fund by way of an admission agreement.

**Schedule 2, Part 3, 1 (d) (i)** (formerly known as a transferee admission body) is 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 the transfer of the service or assets by means of a contract or other arrangement.

It is a commercial entity and is admitted to the Fund by way of an admission agreement.

Employees of an admission body can join the LGPS if the admission agreement allows it.

### **3. Do we have the choice as to whether we can join or not?**

#### *3.1 Scheme Employers*

Scheme employers listed in Schedule 2 Part 1 do not have a choice about whether to join and offer LGPS membership to eligible employees. They have a statutory obligation to participate in the LGPS and to provide access the LGPS to their employees.

Schedule 2 Part 2 bodies do have a choice about joining: they can designate employees for access to the Scheme. Employees of these bodies have the right to join the LGPS if they are covered by the employer's published admission policy or, if there is no admission policy, if their employer designates them as a member.

Schedule 2 Part 4 bodies do not have a choice about joining as employees are deemed to be employed by a scheme employer listed in Schedule 2 Part 1.

#### *3.2 Admission Bodies*

Other employers do have a choice and may make an application to the Fund to become an admission body.

If a Scheme employer is tendering to outsource a function to another organisation then they may be under legal obligation to consider occupational pension provision. Those that are best value authorities (such as councils) are directed by the Secretary of State to include occupational pension under TUPE (Transfer of Undertakings – Protection of Employment) Regulations. The Government expects Scheme employers that are part of the public sector (i.e. funded by the State) to include occupational pension provision under TUPE provisions, even if they are not legally required to do so. This means that they need to ensure that any of their staff whose employment is being transferred to another organisation either have continuing membership of the LGPS or have access to a broadly comparable scheme (as certified by the Government Actuary's Department). To have continuing membership of the LGPS, the new organisation will need to become a scheme employer (admission body).

In the case of a body wanting to become an admission body, the Scheme employer who is outsourcing the function, or the Guarantor, must be party to the admission agreement. Where subsequent outsourcings take place, new admission agreements can still only be made with the original Scheme employer or Guarantor. In these cases, it is for that Scheme employer or Guarantor to decide if they must still provide pension protection for those employees.

We recommend that employers seek their own legal advice regarding procurement and employment law when dealing with such matters.

### **4. What is the process for applying to join?**

#### *4.1 Be clear on your eligibility to join*

Before you apply to join the LGPS, it is important that you are clear about the regulations that enable you to join and about the requirements stated within those regulations. The regulations are amended from time to time.

Prospective Scheme employers and admission bodies should refer to Schedule 2 of the Regulations which can be found on the following link:

[Schedule 2 of The LGPS Regulations 2013](#)

#### *4.2 Meeting the GMPF's admissions policy*

The LGPS regulations give administering authorities some discretion when it comes to admitting some employers into the Fund and the GMPF has its own admissions policy. This policy can be found on our website and we suggest you read it carefully before making your application. The Fund will assess each application from a prospective admission body individually.

#### *4.3 Read the application information pack*

The next stage is to download and read the relevant application pack. It is important that you understand the responsibilities and risks that you are undertaking when joining the Fund.

If you are applying to become an academy or admission body then you will need to liaise with the ceding employer or guarantor in order to complete the application form.

#### *4.4 Help and Advice*

We suggest that before submitting an application you obtain your own legal advice. If there is a ceding employer then it is essential that you discuss certain aspects of your application with them and we recommend that you do this as early as possible. If you are unclear on any aspects of your application then we suggest you contact a member of the Employer, Compliance and Training (ECT) team at the GMPF on 0161 301 7042.

#### *4.5 Complete and submit the application form*

Please ensure your application form is clear, completed in full, and that any agreements made between parties are clearly stated on the form. You may be sent an invoice for any re-work that is needed.

#### *4.6 Attend the agreement meeting*

If you are applying to become an admission body, you and the third party to the agreement (i.e. the Scheme employer or guarantor) will be required to attend an agreement meeting with the GMPF before the draft admission agreement is issued to you. At this meeting, the responsibilities of each party to the agreement will be discussed and each party will be asked to declare that they have a clear understanding of their responsibilities and of the risks involved with undertaking admission to the Fund.

### **5. If we join, what will our responsibilities be?**

#### *5.1 Regulatory requirements*

You will have a number of roles and responsibilities as an employing authority, as specified within the regulations. Some of your key regulatory responsibilities will include:

- to identify eligible members of LGPS;
- to inform the Fund of all new starters
- to inform the Fund of changes of address, payroll numbers and other relevant information
- to inform the Fund of changes in hours or relevant absences where applicable
- to determine entitlement to benefits;
- to maintain payroll records and ensure that scheme contributions and any added voluntary contributions are deducted and paid over at the appropriate rates and time;

- to provide accurate data required at year-end, as specified by the Fund;
- to prepare and publish discretionary policies;
- to establish an internal dispute resolution procedure (IDRP).

## *5.2 Adherence to the Pension Administration Strategy*

The GMPF has a Pension Administration Strategy, made under regulation 59 of Part 2 of the Regulations. It is a written statement covering the procedures for liaison and communication with employing authorities and the established levels of performance that both the administering authority and employing authorities are expected to carry out, amongst other things. Employing authorities are required to have regard to this strategy when carrying out their role.

## *5.3 Keeping the GMPF informed of any changes that may affect funding matters*

It is vital that you keep the Fund informed of any changes that may affect you as an employer or that will affect your funding level within the GMPF.

You must inform us about:

- any changes to your legal status;
- any bulk transfers of employees that you are undertaking, either to your employment or from it;
- any changes to your policies that may affect pension matters or decisions.

## **6. And if we join, what will it cost?**

### *6.1 Employer contributions and other costs*

The main cost will be your employer contributions. You should expect to pay a rate of somewhere between 16 and 20% of pay, although this could be higher or lower depending on your own circumstances.

Other costs can also be incurred, summarised as follows:

- Admission costs - Contribution rate calculation and related costs

For all admissions to the fund where there is an admission agreement to be drawn up (i.e. for admission bodies) there is a standard minimum administration and legal costs fee.

In some circumstances, the Fund may require its actuary to calculate an employer's contribution rate on joining, for which there will be a cost. There may be other costs on admission, depending on the type of employer and the agreements made as part of any admission agreement.

- Pension liabilities (those within and outside an employers control) and strain costs

Some of the factors affecting your pension liabilities will be within your control. These include factors such as salary growth, early retirements, membership movements and some transfers in. However, others will be outside your control. These include rates of investment return, member longevity / deaths, ill health retirements; pensions increase rates and regulatory changes.

Some of these costs can be more easily quantified than others. Some of them will be paid for through your future employer contribution rate, whilst others will require you to pay the cost (or an estimate of it) up front to the Fund.

The GMPF has produced a factsheet covering this area in more detail. You should read this in order to ensure you are aware of your potential liabilities.

- FRS/IAS costs

If you need to include details of pension arrangements and pension costs as part of your annual accounts (i.e. if you are subject to the accounting standards FRS/IAS or similar) there will be a charge for providing you with this information.

- Other additional actuarial work

If you require the Fund to carry out any work that requires the Fund's actuary to be involved then the charges incurred will be recharged to you.

- Costs for additional administration or legal work (including avoidable re-work)

If you require any bespoke work to be conducted or if any work undertaken needs to be redone due to circumstances beyond our control then the costs may be recharged to you.

- Termination costs

If your membership of the GMPF ends for whatever reason, an assessment will be conducted and, depending on the terms of your admission, you may be liable to make cessation payments to provide for your ongoing liabilities. Such costs could be very significant and reflect the Actuary undertaking a more prudent assessment of liabilities than is the case for determining employer contributions or costs to be included in the accounts. [The Funding Strategy Statement](#) sets out how the actuary will determine employer costs in different circumstances.

## *6.2 How payments need to be made / the timescales for making payments*

The GMPF has a schedule of employer costs and charges, which includes details of the estimated costs of the above where appropriate and the anticipated or available payment methods. This document is available to download separately.

## **7. Where to find out more information**

If you have further questions or you need to find out more information please contact a member of the Fund's Employer, Compliance and Training (ECT) team on 0161 301 7042 or by e-mail at [ect@gmpf.org.uk](mailto:ect@gmpf.org.uk)

You can also find out more about the Fund and the Scheme in the Fund's Annual Report and Accounts, which can be found on our main website at [www.gmpf.org.uk](http://www.gmpf.org.uk)