

## 6. Employee contributions, monthly and annual returns

### 6.1. Employee Contributions Rates

Employee contributions as of 1<sup>st</sup> April 2009 are set out below (based on Full Time Equivalent (FTE) salaries). Band ranges normally increase each April in line with inflation, based on RPI in the previous September. Since the September 2009 RPI was minus 1.4%, contribution bands will remain unchanged for 2010.

<u>Pensionable Pay* (p.a.)</u>	<u>Contribution rate</u>
£0-£12,600	5.5%
£12,601 to £14,700	5.8%
£14,701 to £18,900	5.9%
£18,901 to £31,500	6.5%
£31,501 to £42,000	6.8%
£42,001 to £78,700	7.2%
More than £78,700	7.5%

**Please note for schools and any other Employers who have members with ongoing contracts for less than 52 weeks a year, you need to do the following calculation to determine which band they fall into:**

$$\text{FTE salary} \times \text{actual weeks} / 52$$

### 6.2. Rates for pre-1988 Manual Workers

Pre-1988 "manual workers" who contribute 5% continue to have some protection, which will be phased out as follows:

#### **Contribution Rate**

1 <sup>st</sup> April 2008- 31 <sup>st</sup> March 2009	5.25%
1 <sup>st</sup> April 2009- 31 <sup>st</sup> March 2010	5.5%
1 <sup>st</sup> April 2010- 31 <sup>st</sup> March 2011	The lower of 6.5% and the rate they would be on using the equivalent table of the one below for 1 <sup>st</sup> April 2010
From 1 <sup>st</sup> April 2011	Manual workers will use the same table as for all other employees

### 6.3. Implementation Advice for Employers

All Employers must review the band to which they assigned members each year when the new bands are published prior to 1 April.

It is at the discretion of the Employer to decide what their policy is in terms of changing bands during the year where there are changes in the pensionable pay of employees. Some common situations to be considered:

- A normal pay rise during the year (ie. no contractual change):

Employers could choose to revise the band for each employee, as required, following confirmation of a pay rise. The implication of this decision would be that the adjustment to the contribution rate payable by the employee would need to be effective from the date of the pay rise, even if it is backdated.

Scenario - In August 2009 a pay rise is introduced which moves an employee's salary from £18,800 to £19,300, which will be backdated to May 2009, with the underpayment paid in arrears.

Solution 1 - The Employer could decide to maintain the rate at 5.9%, as determined in April 2009, until April 2010 and which point they must make any changes due.

OR

Solution 2 - The Employer could decide to backdate the higher contribution rate of 6.5% to May 2009 by making the appropriate adjustment to the arrears.

- A contractual change is made to an employee affecting their pensionable pay

As above, employers could either decide to make the band change with effect from the same date as the contractual change is effective, where relevant, or they could leave it unchanged until the following April.

It is worth noting that if someone is kept on their old band after their pensionable pay has changed, this could result on two employees on the same pay scale paying different contribution rates from one another. Also, failure to move people up the bandings as their pay rises arguably places funding strain on the Employer's Sub-Fund as a lower level of employee contributions is collected than is strictly correct.

#### **6.4. Employer Contributions rates and Monetary Amounts**

Employers are notified of their employer contribution rates following each Triennial Actuarial Valuation (2007, 2010, 2013, 2016, etc). These are calculated by the Actuary taking into account many different factors, including investment assets allocated to the employer, the profile of their membership and a number of financial and demographic assumptions.

The contribution rate is split between the Future Service Rate (FSR) and Past Service Deficit (PSD). The FSR represents the cost of service being accrued at present and is expressed as a percentage of pensionable pay, while the PSD represents the employer's funding deficit (as determined at the last valuation), which is repaid over a pre-agreed timescale.

To ensure the correct recovery of the PSD, this is typically paid as a Monetary Amount (ie. lump sum split into 12 monthly instalments), otherwise under or over recovery may occur due to fluctuations in payroll. However, this is particularly difficult to administer (eg. for schools), employers can request that the PSD be expressed as a percentage of pensionable pay as well.

For example:

Employer A has an annual payroll of £1,000,000. The actuary calculates an employer's contribution rate of 18% split as follows:

Future Service Rate: 15%

Monthly Cont = £1,000,000 x 15%/12 = £12,500

Past Service Deficit: £30,000 Monetary Amount (i.e. £2,500 per month).

OR

Future Service Rate: 15%  
 $Monthly\ Cont = £1,000,000 \times 15/12 = £12,500$   
Past Service Deficit: 3%  
 $Monthly\ Cont = £1,000,000 \times 3\%/12 = £2,500$

Your current and future Employer Contribution rate and any Monetary Amount due can be found on the Wiltshire Pension Fund website under the "Employer" section.

#### **6.5. Paying Contributions**

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Wiltshire Pension Fund requires all employers to pay contributions to the Fund by 19<sup>th</sup> of the following month (ie. January contributions due by 19<sup>th</sup> of February).

The Fund has no discretion over this deadline and failure to achieve it can, in line with Section 44 of the above regulations, result in an interest charge from the Fund on the late payment, at a rate of 1% above the base rate.

Payments can be made by BACS (please request details by emailing [pensionfinance@wiltshire.gov.uk](mailto:pensionfinance@wiltshire.gov.uk)) or by a cheque made payable to "Wiltshire Council – Wiltshire Pension Fund". Please send these to:

Wiltshire Pension Fund  
County Hall Bythesea  
Road Trowbridge  
Wiltshire BA14 8JN

Employers' contributions must be accompanied by a statement showing the name, pay, band and additional contributions for each employing authority's employees who is an active member. The section below explains the information required in the returns.

#### **6.6. Sending returns**

Every employer must provide a "[Monthly Summary Contributions](#)" return to [pensionfinance@wiltshire.gov.uk](mailto:pensionfinance@wiltshire.gov.uk) by the 19<sup>th</sup> of each month, to accompany the contributions payments. These can be found on the *forms* section of the website

In addition, employers with 20 or more active members also need to send us a return **every month** stating each member's name, pay, band, employee's pension contributions, additional contributions and National Insurance earnings. These can be found in the same place on the website. Please send this to [pensionfinance@wiltshire.gov.uk](mailto:pensionfinance@wiltshire.gov.uk).

Employers with less than 20 active members can either send us a list of each member's detailed information every month (as above), **or**, following the end of the financial year (ie. 31 March), one return showing this information for the whole year, which must reconcile with all the contributions paid over in the year. Please send this to [pensionfinance@wiltshire.gov.uk](mailto:pensionfinance@wiltshire.gov.uk).

Early in each calendar year we will also ask you for a separate return of all your active members' pensionable pay, which we use to calculate benefits for the annual benefits statements.

An early receipt of any annual information from Employers is especially important in valuation years (2010, 2013, 2016, etc).

Not only is this detailed employee information required for audit and fund valuation purposes, but it is also vital to ensure that our records are kept up to date so that we can provide members with accurate information about their pensions. It is required by the LGPS Regulations, so it is an employer obligation which the Fund cannot negotiate on.