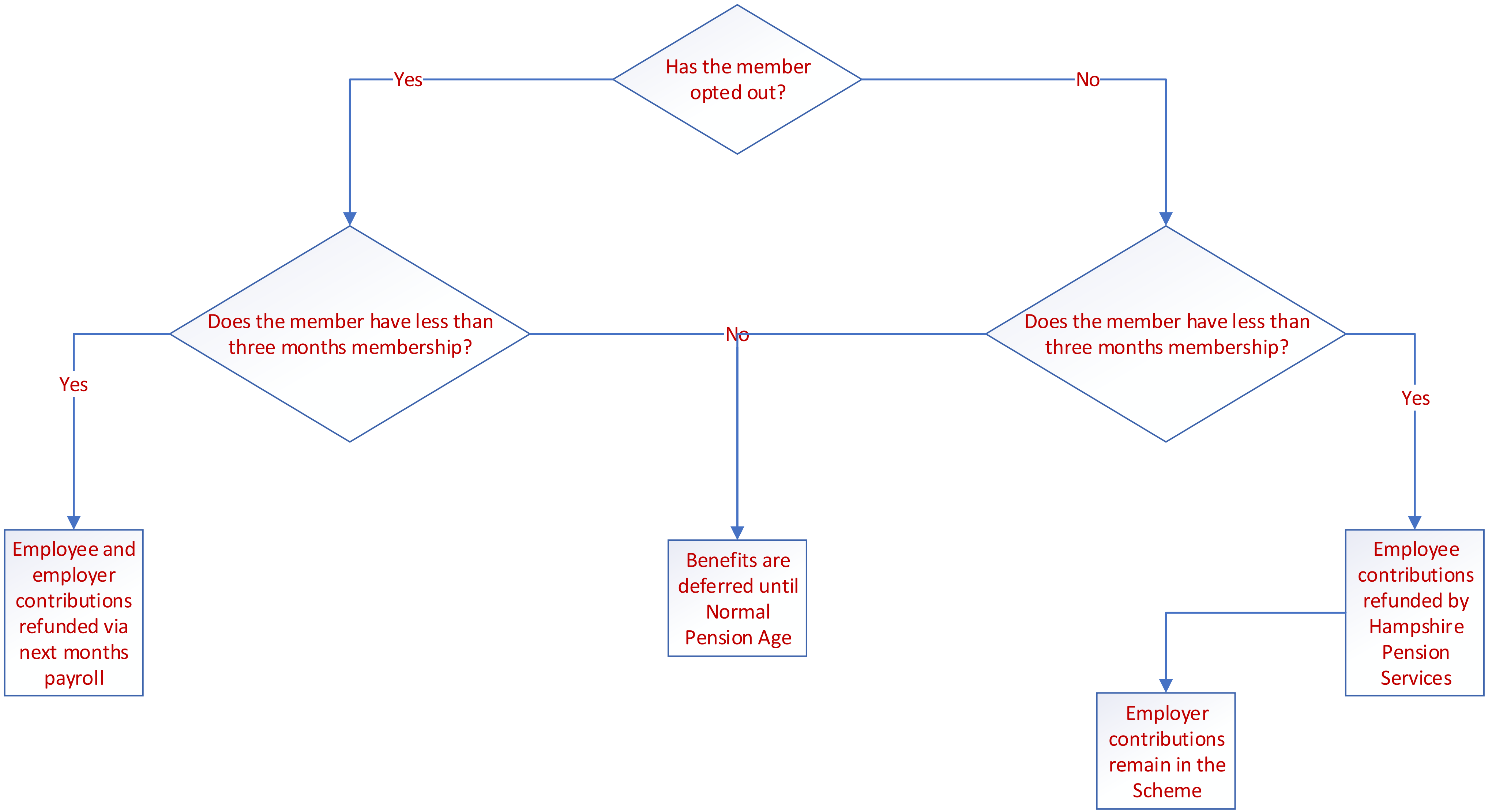
APPENDIX A

Fire Pension Scheme – refund of contributions



APPENDIX B

Annual Allowance Factsheet

What is Annual Allowance?

The Annual Allowance (AA) is the amount by which the value of your Pension benefits may grow (Pension Savings) in any one tax year without you having to pay a tax charge.

If the total value of your Pension Savings in any one tax year, including all Pension Savings in all pension schemes, is in excess of the AA limit, the excess will be taxed as income at your highest marginal rate of tax.

The standard AA in recent years has been as follows:

Pension Input Period (PIP)	**Standard AA**
1 April 2011 to 31 March 2012	£50,000
1 April 2012 to 31 March 2013	£50,000
1 April 2013 to 31 March 2014	£50,000
1 April 2014 to 31 March 2015	£40,000
1 April 2015 to 5 April 2016	PIP is split into two part year PIPs • 1 April 2015 to 8 July 2015 - £80,000 • 9 July 2015 to 5 April 2016 – Nil (but up to £40,000 of unused allowance from the first part year PIP can be carried forward to this part year PIP)
6 April 2016 to 5 April 2017	£40,000 (unless tapering applies)
6 April 2017 to 5 April 2018	£40,000 (unless tapering applies)

Are you likely to be affected?

Most people will not be affected by the AA tax charge because the value of their pension savings will not exceed the AA during a year, or if they do, they are likely to have unused allowance from previous years that they can carry forward.

You are most likely to be affected if:

- You have a lot of membership or pension build up in the Scheme and you receive a significant pay increase, or promotion, and/or;
- You are a high income earner, and/or;
- You pay a high level of additional contributions towards your pension, and/or,
- You have accessed flexible benefits from another pension scheme on or after 6 April 2015

What is the Pension Input Period?

The Pension Input Period (PIP) is the period over which your pension growth is measured and from 2016/17 it aligns with the tax year and runs from 6 April to 5 April.

Up until 2014/15 the PIP in this scheme ran from 1 April to 31 March and special transitional arrangements were introduced for 2015/16 meaning that there were two part-year PIPs in that year, as set out below:

First part-year PIP: 1 April 2015 to 8 July 2015 – the standard AA limit during this period was £80,000

Second part-year PIP: 9 July 2015 to 5 April 2016 - the standard AA limit for this period was nil, however up to £40,000 of unused allowance from the first part-year PIP can be carried forward into this second part-year PIP.

What is tapered Annual Allowance?

From the tax year 2016/17 the AA is tapered for members who have a **Threshold Income** in excess of £110,000 **and** an **Adjusted Income** in excess of £150,000.

- Threshold Income: limit **£110,000**
  Broadly this is your taxable income after deducting your pension contributions

You should be aware that Threshold Income includes **all** sources of income that are taxable. For example, property, savings, dividends, pensions, social security benefits (where taxable), state pension and so on.

- Adjusted Income: limit **£150,000**
  Broadly this is your Threshold Income plus your Pensions Savings built up over the tax year

The taper reduces the AA by £1 for £2 of Adjusted Income received over £150,000, until a minimum AA of £10,000 is reached. This means that from 6 April 2016 the AA for a high income earner is as follows:

Adjusted Income	Annual Allowance (AA)
£150,000 or below	£40,000
£160,000	£35,000
£170,000	£30,000
£180,000	£25,000
£190,000	£20,000
£200,000	£15,000
£210,000 or above	£10,000

Getting further advice

If you are unsure about whether you will be affected by the AA, you should seek independent financial advice from an advisor registered with the Financial Conduct Authority (FCA) who has knowledge of the specific scheme that you are a member of.

Will I get a Pension Savings Statement?

Hampshire Pension Services will automatically inform you if your Pension Savings in this scheme exceed the standard AA limit in any tax year by no later than 6 October of the following tax year.

Hampshire Pension Services can only calculate your AA position based on your employment in this scheme. If you have other significant sources of taxable income then you could be affected by Tapered AA (refer to the section "What is tapered Annual Allowance?"). If you think you may be close to or will exceed your AA in any one year you can ask Hampshire Pension Services for a statement.

The AA applies to your total pension savings for all tax registered pension arrangements that you still pay into. This means that you will need to obtain the growth in your pension savings from **each arrangement** you are saving with. You will need to ask Hampshire Pensions Services for a Pension Saving statement if you believe that you may exceed the standard AA limit in any one tax year because you also have Pension Savings in another Pension Scheme.

Working out how much your benefits in this scheme have grown

To work out by how much your Pension benefits in this scheme have grown (that is, your Pension Savings or 'Pension Input Amount'), the value of your benefits at the start and the end of the Pension Input Period (PIP) are compared. This takes account of inflation to keep things fair.

If the pension input amount is more than the AA, there could be a tax charge due.

Example – working out how much your benefits in this scheme have grown

Closing value:
Value of annual pension at end of the PIP x 16 + value of any automatic lump sum[1] provided by the scheme at the end of the PIP (NB: this is **not** your maximum commutation lump sum) + any Additional Voluntary Contributions (AVCs)[2] paid in the year.

£25,000 x 16 = £400,000 + £0 + £0 = £400,000

less

Opening value:
Value of annual pension at start of PIP x 16 + value of any automatic lump sum provided by the scheme at the start of the PIP (NB: this is not your maximum commutation lump sum) x CPI from September prior to PIP start.

£20,000 x 16 = £320,000 + £0 = £320,000 x 1% = £323,200

The difference between the two values is your Pension Input Amount for the year.

£400,000 - £323,200 = £76,800

[1] Automatic lump sum applies to: LGPS members with pre 2008 service or to members of the 2006 Police Pension Scheme
[2] Additional Voluntary Contributions applies to: LGPS members who pay contributions to Equitable Life, Zurich or the Prudential.

What is carry forward?

You will only have a tax charge to pay if your pension savings exceed the AA by more than the amount of unused allowances you can carry forward from the previous three years. You can carry forward unused allowances as long as you have been a member of a registered pension scheme for the relevant previous years.

There are strict rules on how unused allowances from previous years can be applied and how they should be worked out. It is recommended you use HMRC's online carry forward calculator which will work out your carry forward for you and therefore help you assess whether you have a tax charge to pay.

Example – working out carry forward and using it to offset an excess

Carry forward for the current year:
AA limit less Pension Input Amount

£40,000 - £76,800 = -£26,800
Carry forward for current year = £0

Assessing the carry forward available from the previous three years to offset the excess of £26,800:
Carry forward from Year 1 = £8,000
Carry forward from Year 2 = £5,000
Carry forward from Year 3 = £7,000
Carry forward total = £20,000

£26,800 - £20,000 = £6,800 excess

Working out the tax charge

You will have a tax charge to pay if your pension savings exceed the AA by more than the amount of unused allowances you can carry forward from the previous three years.

If this applies to you, you must calculate your AA tax charge based on your highest marginal rate. Pension Services cannot do this for you. Step by step instructions on how to calculate the charge are available from HMRC

Example – working out a tax charge

Taking into account all taxable income (not just from this employment) and using HMRC guidance in the step by step instructions (see link above), in this example the highest marginal rate of tax is 40%.

Tax charge:
Excess after using AA and any carry forward x marginal highest rate of tax

£6,800 x 40% = £2,720

Reporting the tax charge

If you exceed the AA limit in any year and have a tax charge to pay **you** are responsible for reporting this to HMRC on your Self Assessment tax return. You will need to complete the Additional Information pages of the tax return to show the amount by which your total pension input amount exceeds the annual allowance. The boxes that need to be completed for the annual allowance are in the 'Pensions savings tax charges' section (on the additional information pages (SA101) in the paper return).

If you are using a paper return you will need to ask for the additional information pages (SA101) to report the information.

Further information to help complete this part of the tax return can be found at GOV.UK - Pension savings - tax charges on any excess over the lifetime allowance and the annual allowance.

It is also your responsibility to report your tax charge to HMRC.

The deadline for submitting online tax returns is 31 January after the year in which the tax charge has arisen (or 31 October for paper returns). Online tax returns are completed using a Government Gateway account, it can take a couple of weeks to register and get this set up if you do not already have one.

If you've never completed a tax return (or it's been some time since you did), you will need to complete a registration form at least 20 days before the deadline to let HMRC know what's changed and to get a tax return.

HMRC Pensions Tax Manual – further information on reporting a tax charge to HMRC

If you exceed the AA limit but **do not** have a tax charge to pay (because you have enough carry forward to wipe out the amount by which you exceeded), there is no further action required and you do not need to report anything to HMRC.

You should keep any pension savings statements that you receive in a safe place as you may need to refer to them in future years.

Paying the tax charge

If you have an AA tax charge that is less than £2,000 you must pay the charge direct to HMRC via your Self Assessment tax return by 31 January following the year in which your tax charge arose.

If your tax charge is more than £2,000, and providing certain conditions are met, you may be able to elect for Hampshire Pension Services to pay some or all of your tax charge on your behalf and in return your pension benefits in this Scheme will be reduced accordingly. This is called the Scheme Pays facility.

Scheme Pays

If an election to use Scheme Pays is made to meet the tax charge then a consequential permanent adjustment (Scheme Pays debit) will be made to your pension benefits.

A Scheme Pays debit will be calculated in respect of each tax year that you elect to use Scheme Pays; using an implementation date of the relevant Pension Input Period (PIP) end date.

There are various factors that will determine which Government Actuary Department (GAD) factor table should be used.

- The pension scheme you are a member of,
- Your gender,
- Your normal pension age and
- Your age in years at the relevant implementation date

Example – working out the Scheme Pays debit

Tax charge = £2,720
Age at relevant date = 45
Scheme Pays factor = 9.96

Annual Allowance debit = £2,720 / 9.96 = £273.09

The amount of £273.09 will be a permanent deduction from your annual pension.
This amount will increase each year in line with the Consumer Price Index (CPI) until your retirement.

Disclaimer

The information contained in this factsheet is meant as a guide only and does not constitute financial advice. If you have any queries with regard to your Annual Allowance position then you should seek independent financial advice from an advisor registered with the Financial Conduct Authority (FCA) who has knowledge of the specific scheme that you are a member of.

Lifetime Allowance Factsheet

What is Lifetime Allowance?

The lifetime allowance (LTA) is a limit on the total value of your pension savings that you can have without triggering an excessive benefits tax charge.

This includes:

- Your benefits in this scheme, and
- Any pension benefits you may have in other tax-registered pension arrangements.

But it does not include:

- State pensions and dependant's pensions.

If the value of your pension benefits, when they come into payment, is more than the lifetime allowance, or more than any protections you may have, you will have to pay tax on the excess benefits.

The lifetime allowance was introduced in 2006 and was steadily reduced from 2012/13 to 2017/18. From 2018/19 onwards the LTA increases each year in line with inflation, see below:

Tax Year	Lifetime Allowance
2011/12	£1.8 million
2012/13	£1.5 million
2013/14	£1.5 million
2014/15	£1.25 million
2015/16	£1.25 million
2016/17	£1 million
2017/18	£1 million
2018/19	£1.03 million

How and when is my pension tested against the LTA limit?

When you draw benefits or if you should die before taking any benefits, a benefit crystallisation event (BCE) takes place and the value of your benefits are tested against the lifetime allowance.

This scheme is a defined benefit scheme and the value of any lump sum and annual pension that you will receive are used in the test. The annual pension is after all relevant deductions: -

- after any pension has been converted for extra lump sum
- after any benefits have been reduced for retiring early
- after the application of a pension debit (on divorce)
- after the application of any deduction for Scheme Pays debit

The value of your benefits is worked out as follows:-

Example – Calculating the crystallised value of your benefits

For pensions already in payment before 6 April 2006

Current value of annual pension, including any Pensions Increase x 25 (any lump sum already paid is ignored)

£25,000 x 25 = £625,000

For pensions that start to be drawn on or after 6 April 2006

Value of annual pension that will be paid to you (after any reductions, debits and conversion for lump sum) x 20 + value of any lump sum taken + any Additional Voluntary Contributions (AVCs)[1] that you may have.

£25,000 x 20 = £500,000 + £134,000 + £0 = £634,000

Do you know the value of your combined pension benefits?

The LTA covers any pension benefits you may have in all UK tax-registered pension arrangements and some overseas schemes.

You will need to add up the value of your benefits and how much you have across all your pension arrangements (excluding State pensions and dependant's pensions).

Your pension scheme administrator(s) may already send you information that will help you to find out the value of your combined pension savings. If not you should contact your pension scheme administrator(s) for more information. This information will help you if you need to apply to protect your pension savings from the lifetime allowance tax charge.

For all of the pension schemes that Hampshire Pension Services administers, they provide the current value of your LTA used in each employment on your Annual Benefit Statement. They will also provide this information in notification to you of your retirement benefits when you retire.

When any pension arrangement you may have is put into payment, you use up some of your lifetime allowance – so even if your pensions are small and will not be more than the lifetime allowance, you should keep a record of any pensions you receive. If you have a pension in payment before 6 April 2006, this will be treated as having used up part of your lifetime allowance.

[1] Additional Voluntary Contributions only applies to LGPS members only who pay contributions to Equitable Life, Zurich or the Prudential.

What is the maximum lump sum available?

You are allowed to draw up to 25% of the total value of your pension benefits, or 25% or your remaining standard LTA, if this is lower.

What if the value of all of my benefits exceeds the LTA?

When you take your benefits from this scheme, if the capital value of those benefits is more than your available LTA you will have to pay tax on the excess.

Example – Calculating the excess over the LTA (Commutation within HMRC limits[2])

Annual pension = £50,000
Lump sum = £120,000

Total crystallised value of benefits
(£50,000 x 20) + £120,000 = £1,120,000

Standard LTA = £1,030,000

Excess over LTA = £1,120,000 - £1,030,000 = £90,000

What will the tax charge be?

The way that the tax charge is to be applied, will depend on how the excess is paid.

If the excess benefits are taken as a lump sum they will be taxed once only at 55%.

Example – Calculating the lump sum tax charge

Convert the excess to an annual pension amount
£90,000 / 20 = £4,500

Calculate how much lump sum this provides
£4,500 x 12 = £54,000

Calculate the tax charge
£54,000 x 55% = £29,700

Balance of lump sum not taxable
£54,000 - £29,700 = £24,300

Lump sum payable = £120,000 – £29,700 + £24,300 = £114,600
Annual pension payable = £50,000 - £4,500 = £45,500

[2] HMRC limits on commutation can be exceeded by the 1992 Fire Pension Scheme and the 1987 Police Pension Scheme.

If your excess benefits are paid as a pension the tax charge will be 25% of the capital value of the excess; the ongoing pension payments be will also be subject to income tax.

Example – Calculating the annual pension tax charge

Calculate the tax charge
£90,000 x 25% = £22,500

Lump sum payable = £120,000 - £22,500 = £97,500
Annual pension payable = £50,000

Paying the tax charge

You can choose to pay the tax charge yourself direct to HMRC via your Self Assessment tax return by 31 January following the year in which your tax charge arose.

Alternatively you can elect for for Hampshire Pension Services to pay your tax charge on your behalf and in return your pension benefits in this Scheme will be reduced accordingly. This is called the Lifetime Allowance pension debit facility.

Lifetime allowance pension debit (LTAPD)

If an election to use LTAPD is made to meet the tax charge then a consequential permanent adjustment (LTAPD) will be made to your pension benefits.

There are various factors that will determine which Government Actuary Department (GAD) factor table should be used.

- The pension scheme you are a member of,
- Your gender,
- Your age last birthday at retirement

Example – Working out the LTAPD

Tax charge = £22,500
Age at relevant date = 60
Scheme Pays factor = 18.56

Annual Allowance debit = £22,500 / 18.56 = £1,212.28

The amount of £1,212.28 will be a permanent deduction from your annual pension.

Lump sum payable = £120,000
Annual pension payable = £50,000 - £1,212.28 = £48,787.72

Reporting the tax charge

If you exceed the LTA limit and have a tax charge to pay **you** are responsible for reporting this to HMRC on your Self Assessment tax return. You will need to complete the Additional Information pages of the tax return to show the amount by which your total pension input amount exceeds the LTA. The boxes that need to be completed for the LTA are in the ‘Pensions savings tax charges’ section (on the additional information pages (SA101) in the paper return).

If you are using a paper return you will need to ask for the additional information pages (SA101) to report the information.

Further information to help complete this part of the tax return can be found at GOV.UK - Pension savings - tax charges on any excess over the lifetime allowance and the annual allowance.

It is your responsibility to report your tax charge to HMRC.

The deadline for submitting online tax returns is 31 January after the year in which the tax charge has arisen (or 31 October for paper returns). Online tax returns are completed using a Government Gateway account, it can take a couple of weeks to register and get this set up if you do not already have one.

If you've never completed a tax return (or it's been some time since you did), you will need to complete a registration form at least 20 days before the deadline to let HMRC know what's changed and to get a tax return.

HMRC Pensions Tax Manual – further information on reporting a tax charge to HMRC.

Your pension savings may already be protected

If you have applied for a previous protection i.e. enhanced protection, primary protection, fixed protection 2012, individual protection 2014 or fixed protection 2014 you should have received a certificate to confirm your protection.

However you may still be subject to the LTA charge if you lose this protection.

You can find more information about these protections and when they may be lost at Tax on your private pension contributions.

Individual Protection 2016 (IP2016)

You can apply for IP2016 from 6 April 2016 if you have pension savings valued at over £1 million (including taking into account past benefits already in payment) on 5 April 2016. However, if you have primary protection you can’t apply for IP2016.

IP2016 gives a protected LTA equal to the value of your pension rights on 5 April 2016 - up to an overall maximum of £1.25 million. You will not lose IP2016 by making further savings in to your pension scheme but any pension savings in excess of your protected LTA will be subject to an LTA charge.

Fixed Protection 2016 (FP2016)

You can apply for FP2016 from 6 April 2016 if you expect your pension savings to be more than £1 million (including taking into account past benefits already in payment) when you come to take them on or after 6 April 2016. FP2016 can be used to help reduce or mitigate the lifetime allowance charge.

However, because FP2016 is lost if your benefits increase by more than the cost of living increase in any one tax year, if you apply for and wish to keep FP2016 you must have opted out of this scheme with effect from 6 April 2016 (because the cost of living increase in 2016/17 was zero and thus any increase in your benefits on and after 6 April 2016 will result in the loss of FP2016).

You can't have FP2016 if you already have primary, enhanced, fixed protection 2012 or fixed protection 2014.

With FP2016 your LTA is fixed at £1.25 million rather than the standard LTA.

FP2016 will also be lost if you start a new pension arrangement, other than to accept a transfer of existing pension rights, or if you pay contributions into a money purchase pension arrangement, other than to a life assurance policy providing death benefits that started before 6 April 2006. You will also be subject to restrictions on where and how you can transfer benefits.

If you lose FP2016 you must electronically notify HMRC within 90 days of the day on which you could first reasonably be expected to have known that an event had occurred causing you to have lost this protection.

Applying for Fixed and Individual Protection 2016

HMRC have introduced an online self-service for pension scheme members to apply for IP2016 or FP2016.

Although there is no application deadline for IP2016 or FP2016, you must apply before you take your retirement benefits. You will need to inform HMRC of the value of your pension savings on 5 April 2016. You should be aware that Hampshire Pension Services is only obliged to provide you with this up to 5 April 2020.

If you want to rely on this protection, you will need to provide Hampshire Pension Services with the relevant HMRC reference number.

Once you have successfully applied for protection the online service will provide you with a reference number which you will need to keep.

Disclaimer

The information contained in this factsheet is meant as a guide only and does not constitute financial advice. If you have any queries with regard to your Lifetime Allowance position then you should seek independent financial advice from an advisor registered with the Financial Conduct Authority (FCA) who has knowledge of the specific scheme that you are a member of.

FRA Temporary Promotion (TP) survey results

Fire Authority	**Effective date change in TP rules applied**	**TP made pensionable (P) or non pensionable (NP)**	**Any intention to review decision**	**Comments**
Cambridgeshire	01/07/2013	NP	No	Financial.
Derbyshire	01/07/2013	NP	No	Economic constraints and reductions in budget made it very difficult to justify using such a discretion. The facility is costly with a comparatively lower return on investment for Firefighters and employers alike. Additionally, it opens the pension scheme to unnecessary risk that may contribute to breaching the 2% cost cap. DFRS has chosen to focus resources on reducing the need for TP (the lead-time on these initiatives means their effectiveness is still being measured) so that fewer firefighters find themselves in this position in the first place.
Essex	01/09/2014	P	Yes	Amendment order was missed and implemented late. Decided to keep TP pensionable (as an APB) as it provides the employee with a benefit. This may be subject to review in the future as:- · Difficult to explain and understand the benefit; · Difficult to administer; · Consistency - we treat TP in the FPS 2015 as non-pensionable.
Lincolnshire	01/11/2013	NP	No	Membership (supported by FBU) saw no benefit in APB with temp pay not being incorporated into final pensionable pay. Authority similarly saw no economic benefits in contributing to a relatively small pensionable benefit.
Merseyside	01/07/2013	P	No	-
Nottinghamshire	01/07/2013	NP	No	The Fire Authority took a decision at its meeting on the 27 September 2013 that temporary promotions would not be pensionable in response to the Statutory Instruments affected from 1 July 2013 which gave Authorities new discretions.
Oxfordshire	01/07/2013	P	No	-

Fire Authority	Effective date change in TP rules applied	TP made pensionable (P) or non pensionable (NP)	Any intention to review decision	Comments
Shropshire	01/07/2013	P	No	We have treated most additional payments as pensionable. For Temporary promotions it was considered fair that the member got the benefit of the additional pay to count towards their pension.
South Wales	01/04/2013	P	No	The change in the legislation was missed and SWFRA have only just implemented the change. They backdated the implementation date to 1st July 2013.
Suffolk	Have not yet implemented			We are currently looking at the whole area of Pensionable pay and looking at Temporary Promotion as part of this. We are happy to share our decision once made in relation to the above. We would appreciate any guidance from the SAB/LGA in relation to the pensionable status of Temporary Promotion as it would be sensible to have a universal approach across all FRA’s.
West Midlands	01/07/2013	P	No	The FRA made the decision based on a recommendation from the Joint Working Party (JWP). At the JWP meeting the FBU Representative pointed out that as the scheme member could commute part of the APB for a Lump Sum, in most cases, the cost of the contributions would be recovered in extra pension within around 5 years of retirement. The JWP agreed with this view and recommended the payment be Pensionable, despite the increased cost to the Authority.
West Yorkshire	01/07/2013	NP	No	Management Board agreed for all temporary promotions to be classed as non-pensionable.

APPENDIX E

Example of Additional Pension Benefit (APB) calculation for a member of the 1992 scheme

APB factors dependant on age and scheme	**1992 scheme**
APB factor at age 30	10.8
APB factor at age 35	12.5
APB factor at age 40	14.5
APB factor at age 45	16.6
APB factor at age 50	19.1
Pay and allowances	
Firefighter pay at 01/04/2017	£29,368.00
10% pensionable allowance	£2,936.80
Total annual pensionable pay	**£32,304.80**
Contribution rates dependant on pay and scheme	
Employee contribution rate*	14.70%
Employer contribution rate	21.30%
Notional ill health contribution	1.60%
Total contribution rate	**37.60%**
* Based on pensionable pay between £30,909 and £41,212	
Amount of contributions paid on allowance dependant on scheme	
Employee's contributions (£2,936.80 x 14.70%)	£431.71
Employer's contributions (£2,936.80 x 22.90%)	£672.53
Total amount of pension paid on allowance	**£1,104.24**
Amount of APB to be added to pension dependant on age and scheme	
APB awarded if age 30 at relevant date (£1,104.24 / 10.8)	£102.24
APB awarded if age 35 at relevant date (£1,104.24 / 12.5)	£88.34
APB awarded if age 40 at relevant date (£1,104.24 / 14.5)	£76.15
APB awarded if age 45 at relevant date (£1,104.24 / 16.6)	£66.52
APB awarded if age 50 at relevant date (£1,104.24 / 19.1)	£57.81
Length of time after retirement for employee to recover contribution payments	
APB awarded at age 30 (£431.71 / £102.24)	4yrs 81dys
APB awarded at age 35 (£431.71 / £88.34)	4yrs 324dys
APB awarded at age 40 (£431.71 / £76.15)	5yrs 244dys
APB awarded at age 45 (£431.71 / £66.52)	6yrs 179dys
APB awarded at age 50 (£431.71 / £57.81)	7yrs 171dys

APPENDIX F

Example of Additional Pension Benefit (APB) calculation for a member of the 2006 scheme

APB factors dependant on age and scheme	**2006 scheme**
APB factor at age 30	8.3
APB factor at age 35	9.7
APB factor at age 40	11.5
APB factor at age 45	13.3
APB factor at age 50	15.4

Pay and allowances	
Firefighter pay at 01/04/2017	£29,638.00
10% pensionable allowance	£2,963.80
Total annual pensionable pay	**£32,601.80**

Contribution rates dependant on pay and scheme	
Employee contribution rate*	10.90%
Employer contribution rate	14.20%
Notional ill health contribution	2.60%
Total contribution rate	**27.70%**

* Based on pensionable pay between £30,909 and £41,212

Amount of contributions paid on allowance dependant on scheme	
Employee's contributions (£2,963.80 x 10.90%)	£323.05
Employer's contributions (£2,963.80 x 16.80%)	£497.92
Total amount of pension paid on allowance	**£820.97**

Amount of APB to be added to pension dependant on age and scheme	
APB awarded if age 30 at relevant date (£820.97 / 8.3)	£98.91
APB awarded if age 35 at relevant date (£820.97 / 9.7)	£84.64
APB awarded if age 40 at relevant date (£820.97 / 11.5)	£71.39
APB awarded if age 45 at relevant date (£820.97 / 13.3)	£61.73
APB awarded if age 50 at relevant date (£820.97 / 15.4)	£53.31

Length of time after retirement for employee to recover contribution payments		
APB awarded at age 30 (£323.05 / £98.91)	3yrs	97dys
APB awarded at age 35 (£323.05 / £84.64)	3yrs	298dys
APB awarded at age 40 (£323.05 / £71.39)	4yrs	192dys
APB awarded at age 45 (£323.05 / £61.73)	5yrs	85dys
APB awarded at age 50 (£323.05 / £53.31)	6yrs	22dys

APPENDIX G

Public service governance and administration survey

Summary of results and commentary

May 2018

The Pensions Regulator

Background

We regulate the governance and administration of public service pension schemes, which provide pensions for over 16.7 million civil servants, members of the judiciary, local government, teachers, health service workers, members of fire and rescue services, members of police forces and members of the armed forces.

Our Code of Practice no. 14, available at **www.tpr.gov.uk/code14**, sets out the standards of conduct and practice we expect from public service pension schemes.

We open cases based on the risks we see in schemes and in response to breach of law and whistleblowing reports. Where standards are not being met and issues are not being resolved we consider enforcement action, including the use of improvement notices and civil penalties.

To help us focus our efforts, we surveyed public service pension schemes in autumn 2017 to assess how they were being run. This built on previous surveys in autumn 2016 and summer 2015. In this latest survey we have further examined certain risks and areas of underperformance that schemes identified in previous years.

As in previous years, the survey was an online self-completion questionnaire which was sent for the attention of each scheme contact. We received responses from 191 of the 207 public service pension schemes, covering 98% of memberships. This allows us to draw robust conclusions from the results. This policy summary also draws from the engagement we have undertaken with schemes over the past year through casework, board meetings, training sessions, conferences and speaking events.

This report sets out how we have interpreted the findings, our expectations of those involved in running the schemes and what we will be doing over the next year to address these issues. It accompanies the full research report which shows the responses to all survey questions.

Summary

The survey supports our existing assessment that the top risks in this landscape are around scheme governance, record-keeping and internal controls, but identifies significant improvements in these areas. Many more schemes are now meeting the basic governance standards, allowing us to focus on building further improvements.

Overall, we were pleased by the significant improvements in performance across most of the areas addressed in the survey, in particular the much improved governance reported by the Police and Fire schemes. While they continue to lag behind their peers, we anticipate that these schemes will continue to show improvements across all governance areas in 2018.

In the third year of having a statutory deadline, 60% of schemes reported that all members had received their annual benefit statement on time. This is a commendable improvement on the previous year when less than half (43%) of schemes met the deadline.

We are pleased to see increased engagement from scheme managers and pension boards in running the schemes. However, the survey shows that over two-fifths (43%) of schemes hold fewer than four meetings a year. In our view, this provides inadequate opportunity for pension boards to effectively carry out their role and raises concerns about the quality of governance.

We also see signs that that process improvements have stalled in some Local Government schemes. This group was also the one that was least likely to respond to the survey and we are concerned about the risks of disengagement. Because of the specific challenges faced by Local Government schemes, we expect to focus casework activities on this group in the coming year.

Scheme governance

The results of this year's survey have shown encouraging improvements in scheme governance. The Police and Fire schemes deserve a particular mention for the improvements they have made over the last year, from a low base. It is also noticeable that the group of centrally administered schemes has also shown improvements in governance, which is pleasing given that they are generally large and complex arrangements.

All six of the key processes monitored by us have improved since 2015, and three have shown improvements since 2016. Of these six processes, the most notable increase has been in schemes that have a documented policy to manage board members' conflicts of interest. This was in place in 92% of schemes, an increase of 11 percentage points since 2016.

A similar improvement was seen in schemes with documented procedures for assessing and managing risks. These are now present in 83% of schemes, an increase of 11 percentage points since 2016.

These items are basic features of scheme governance and we expect this year's improvements to continue. By the end of the year, all schemes should have a conflicts of interest policy and procedures for assessing and managing risks in place.

One of our main messages to public service schemes over the past year has been about the importance of good quality scheme data. It is therefore disappointing to see an apparent fall in the number of schemes with processes to monitor records for accuracy and completeness. This year, 15% of schemes stated that they did not have these in place, a decline of four percentage points since 2016. This suggests that schemes may have reviewed the processes they believed they had in place and have found them either absent or inadequate.

Only 58% of schemes have all six key processes in place. This leaves over 4.8 million members (29%) in a scheme that does not have a complete set of basic governance features in place.

Good governance is essential to pension schemes delivering good member outcomes. This is a key focus for us, through our ongoing programme on 21st century trusteeship and governance, which can be found at **www.thepensionsregulator.gov.uk/21st-century-trusteeship**.

We are pleased that there appears to be a greater awareness of their governance duties among scheme managers and pension boards[1]. However, we remain concerned that scheme managers are not always working well with pension boards. While 85% of surveys were completed

1
Further information regarding the roles and responsibilities of those involved in governing public service pensions schemes can be found at **www.thepensionsregulator.gov.uk/public-service-schemes/roles-and-responsibilities.aspx**

with the involvement of the scheme manager, the pension board chair was only involved in 45% of responses, and pension board members in just 16%. This may lead to a biased or unbalanced view of the performance and risks facing the scheme.

We also have doubts about the commitment shown towards scheme governance. Encouragingly, while 88% of scheme managers or their representatives now attend every pension board meeting, these meetings occur less than quarterly in 43% of schemes. This appears to only be an issue in locally administered schemes, and is independent of the size or structure of a scheme. We do not believe that schemes can be governed effectively through occasional meetings, particularly given the time dependent nature of many of the issues to be addressed.

The infrequent nature of meetings in many schemes may result in a superficial assessment of the challenges they face. Despite four-fifths (80%) of schemes saying they had the resources and knowledge needed to run the scheme effectively, a third (31%) do not actually regularly evaluate the performance or effectiveness of the board.

Over the coming year we will continue to focus on improving governance in public service pension schemes. In addition to our 21st century governance work, we will continue to educate scheme managers and pension boards through face-to-face meetings, and we will work with scheme advisory boards and other stakeholders to reach disengaged scheme managers. The vast majority of respondents have used the resources on the public service section of our website and have found them useful. We would encourage schemes to make further use of them. Materials online include practical guidance on how to comply with legal requirements such as an example risk register, an internal controls checklist and a self assessment tool enabling schemes to identify issues and ways to address them.

Engagement by TPR was identified by 43% of schemes as a driver of improved governance and administration in the last year. We believe by clearly communicating about the standards we expect from all parties, and by providing tools to help schemes meet these standards, we can continue to support improvements in governance and administration. Schemes and other interested parties may request a speaker from TPR at their events by using our speaker request form at
https://secure.thepensionsregulator.gov.uk/speaker-request.aspx.

Record-keeping

Failure to maintain complete and accurate member records will affect a scheme's ability to carry out its most basic function; paying the right members the right benefits at the right time. Record-keeping issues in public service schemes are well known and 39% of respondents identified this as a top risk to their scheme. Schemes reported that almost a fifth (18%) of breaches of law were caused by a failure to maintain records or rectify errors.

Data

We have made our expectation clear that all schemes should do an annual data review. However, 17% of schemes had not carried out a data review in the last twelve months, and a further 8% were not sure. The value of regular data reviews is clear; 69% of schemes carrying them out identified issues, an increase of 9% from last year. However, the survey still raises concerns about how effective some of the data reviews have been. It is questionable that just over a quarter (28%) that had carried out a review did not identify any issues.

We are aware that some schemes have embarked on a multi-year process intended to review and reconcile their data and we welcome this activity. While the scope of these plans is not clear, we are not surprised that few schemes have completed the rectification of their data (7%), given the scale of the projects to be undertaken. It may be difficult and uneconomic to rectify all data issues at one time, and we support schemes that prioritise the work in a structured, sequential way.

In the past year, we have set out our expectations around data security and provided additional guidance on developing a good data improvement plan. We will consider enforcement action where scheme managers fail to demonstrate that they are taking appropriate steps to improve their records, including having a robust improvement plan in place.

For the first time, the 2018 scheme return will ask schemes to report on their common and scheme specific data scores. While our research indicates that a good proportion of schemes are familiar with these terms, we will be producing further material for scheme managers on this subject. We also intend to work with scheme advisory boards this year to encourage the creation of common data standards that can be adopted by employers to ease the problems faced by schemes and their employers.

Employer compliance with data standards continues to be an issue for schemes and was recognised as a barrier to improving governance and administration by 28% of schemes. Timely data was provided to all employers in just 37% of schemes, and accurate data was received from all employers by less than a third (30%) of schemes. Scheme managers should work with employers to ensure processes are effective and fit for purpose, and take action to rectify issues in the first instance. The use of penalties by schemes remains low, and we would encourage schemes to take all reasonable measures available to them before asking us to intervene with our own powers.

Administration

Pension boards should pay close attention to the performance of their scheme administrators, since they are critical to the good running of the scheme. It is notable that two of the top three causes of complaints received by schemes[2] have a basis in poor administration and poor record-keeping.

We have made it clear that schemes and pension boards should focus on administration as a key influence on data quality and member outcomes. It is therefore disappointing that administrators operate without service level agreements in place in over a quarter (26%) of schemes and that only a fifth (20%) of schemes use penalties where service or contractual standards are not met. This lack of accountability by administrators is most noticeable in the 46% of schemes that are managed in-house, or where administration is outsourced to another public body (24%).

Schemes should ensure that administration is a feature of every pension board meeting (24% currently do not), so they have sight of emerging issues and trends. Administrators can also provide regular reports to the scheme manager (17% of schemes do not do this). Schemes may wish to consider whether to obtain assurance reports on the performance of their administrators, or to commission assurance reports themselves.

2
Inaccuracies or disputes around pension value or definition (31%) and slow or ineffective communication (30%)

Internal controls

Scheme managers, pension board members and other parties have a duty to report breaches of the law to us in certain circumstances. Nine out of ten schemes (90%) now have procedures in place to identify (92%) and report (91%) breaches of law. This is a significant improvement from previous years. Fewer schemes had identified or reported any breaches of law this year, and we attribute this to the improvement in producing annual benefit statements. However, we remain concerned that schemes may be choosing not to report material breaches in certain circumstances as they are concerned about the potential consequences.

Member communications

Public service schemes must provide annual benefit statements to active members by a specific deadline, generally 31 August. This year, respondents reported that 92% of members received their annual benefit statement on time, a significant improvement on the 75% seen in 2016. However, only 60% of respondents reported that all their members received their statements on time. We recognise that public service pension schemes initially faced challenges meeting their new duties. However, we expect schemes to have made significant progress by now and will have much less tolerance for shortcomings this year.

Taking action

Scheme managers should be aware that we are more likely to use our enforcement powers this year. Where we open cases, we will work with the schemes involved to resolve gaps in their risk and breach of law processes. When considering action or setting fines, we will take into account a party's co-operation with us, and their efforts to put things right. For example, those who fail to report breaches to us quickly could receive a higher penalty for a breach, and an additional penalty for a failure to report. You can find further information in our monetary penalty policy at **www.tpr.gov.uk/ps-monetary**.

We have taken, and will take, enforcement action where scheme managers have not taken sufficient action to address issues or meet their duties. In line with our compliance and enforcement policy (found at **www.tpr.gov.uk/strategy**), we will continue to publish reports of our regulatory activities - including enforcement activity - to encourage higher standards.

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www.pensionseducationportal.com
Free online learning for those running public service schemes

Public service governance and administration survey
Summary of results and commentary

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