

Employer Pensions Notice

EPN 155

Amendment pages to Employers' Pension Guide (EPG)

Audience This Notice will be of particular interest to:

- All recipients of the EPG

Action Please remove and replace the attached pages to EPG section 6 and section 8

Timing Immediate

1. The following amendments have been made to the EPG:
 - Section 6, paragraphs 6.2.9 and 10 tells you when you can consider authorising the paying of a preserved pension award early. We have corrected the wording in bullet points 2 and 3 under both paragraphs to reflect this provision is for **classic** members only. There is no such provision for either **classic plus** or **premium**.
 - Section 6, paragraph 6.3.23 corrects the referencing of the HRDG letter regarding the treatment of Fixed Term Appointees.
 - Section 8, paragraph 8.1.10 has been amended to make it clear that your responsibility for the accuracy of data extends to the **CSAVCS, partnership** pension and designated stakeholder arrangements. You must make sure that all personal details, contributions and benefit information are accurate when you or your payroll provider passes them to your APAC. You must also make sure that the information is updated when necessary so that it remains accurate.
2. Please replace the existing EPG pages with the attached.

Reference This document refers to EPG sections 6 & 8.

Contacts Enquiries about content, distribution or to receive in a different format

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You can find copies of all current EPNs and forms and a copy of the Employers' Pension Guide (EPG) on our website

www.civilservice-pensions.gov.uk in the Employer section.
username **employers** password **mc2fxqfy**

6.2

Your responsibilities when staff leave before pension age

Resignation or dismissal from the Civil Service

Resignation from the Civil Service

6.2.1 Members who resign with 2 or more years' qualifying service will continue to have benefits in the **CSP arrangements**, unless they transfer them to another pension scheme. These benefits are preserved until the **member** reaches the scheme **pension age** (normally age 60). Consequently we usually refer to them as 'preserved benefits'. They are increased by the rate of inflation under Pension Increase legislation.

6.2.2 We use the term 'deferred **member**' for staff who leave with preserved benefits.

Member leaving with less than 2 years' service

6.2.3 Under **classic, classic plus** and **premium**, when a **member** leaves with less than 2 years' service, they can either transfer their accrued pension or, alternatively, have a refund of their contributions.

6.2.4 If the **member** chooses to have a refund of their contributions, your **APAC** must put them back in to the **State Second Pension**. To do this, the **APAC** calculates a

Contributions Equivalent Premium (CEP). The **CEP** represents the difference in employer and employee National Insurance contributions that would have been payable if their pension scheme had not been contracted-out. Once the **APAC** has calculated the **CEP**, they notify **Capita Hartshead** who will pay the **CEP** from **Civil Superannuation**.

6.2.5 Capita Hartshead will reimburse the **member** the amount of contributions they have paid, less tax and the employee element of the **CEP**.

6.2.6 You can not be reimbursed for employer contributions (**ASLCs**).

6.2.7 Your **APAC** should send all notices of contracted-out employment to **NICO** within six months of an employee leaving contracted-out employment. However, if the **APAC** sends the notice of termination and the **CEP** after six months, **NICO** will accept the **CEP** provided the **member** has not reached state **pension age**. If a **CEP** is not paid, the **member** has a right to a pension under the **CSP arrangements**. Where this happens, **Capita Hartshead** will invoice you for the capitalised value of the pension at the time it is due

to come into payment. You may wish to keep this possibility of such costs in mind when agreeing contractual arrangements with your **APAC**.

6.2.8 These arrangements only apply to people who leave your employment. They do not apply to people who you have automatically entered into **premium** when they join you who then opt for a **partnership** pension account within 3 months of starting work. In these cases, you will need to pay a **CEP** as part of the unscrambling process described in Section 4.2. As you will have already recovered from us all employer contributions (**ASLCs**) initially paid to the **Civil Superannuation** for these staff, we will not reimburse the **CEP** to you.

Paying a preserved award early

6.2.9 **Members** who joined the scheme on or before 5 April 2006 can receive their preserved award before reaching **pension age** if they are:

- 50 or over and choose an actuarially reduced award; or
- **classic** member, in ill health and would have been eligible for medical retirement if they had remained in the Civil Service; or
- **classic** member, 50 or over and can demonstrate compelling personal reasons (see CS Management Code) for early payment.

6.2.10 Members who joined the scheme on or after 6 April 2006 can receive their preserved award before reaching **pension age** if they are:

- 55 or over and choose an actuarially reduced award; or
- **classic** member, in ill health and would have been eligible for medical retirement if they had remained in the Civil Service; or
- **classic** member, 50 or over and can demonstrate compelling personal reasons (see CS Management Code) for early payment.

Enhanced benefits for members who resign

6.2.11 You have discretion to offer to **members** enhanced preserved pension benefits or enhanced pension transfer terms if they resign and their resignation is desirable for management reasons.

6.2.12 You enhance their pension benefits or transfer terms by granting them **added years** service, for which you will have to pay.

6.2.13 Your **APAC** can advise you of the cost of providing additional service for a particular **member**. You must ask **CSPD**, via Employer Helpdesk, to agree to what you are proposing before you make any formal offer to the **member**.

Table 1 Standard action for resignation and dismissal for members in **classic, classic plus** and **premium**

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| <p>As soon as you learn about a resignation or dismissal, pass the details to your APAC for appropriate award action (see 'note' below).</p> <ul style="list-style-type: none"> • Tell your APAC about any members who wish to take or are offered their preserved award early. • Notify your payroll that the member's service is ending. | <p>Records:</p> <ul style="list-style-type: none"> • Keep any records that can affect the member's pension. You should agree with your APAC how these records are to be stored. <p>Information:</p> <ul style="list-style-type: none"> • Make a note on the record of any booklets that you provided when service ended, and the date you gave them. |
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Note: An 'award' for someone resigning with preserved benefits is simply notification of the benefits that they will receive when they eventually retire.

APAC action

6.2.14 Your **APAC** will, among other things, give **members** information about

- their pension and when it becomes payable
- the effects of re-employment before the **pension age**
- an address for written enquiries
- options for transferring their benefits out of the **CSP arrangements**.

6.2.15 Your **APAC** will also give information to **members** leaving with preserved awards on

- how and when to contact **Capita Hartshead** to claim their award
- their **CSAVCS** arrangements, where applicable
- pensions increase and how it applies to preserved pensions
- any conditions that apply to the award
- the allocation arrangements

6.2.16 Your **APAC** will also send copies of any relevant scheme booklets or leaflets on yours or the **member's** request.

Table 2 Standard action for resignation and dismissal for **partnership**

| | |
|--|---|
| <ul style="list-style-type: none">• As soon as you learn of a resignation or dismissal, pass the details to the relevant provider using the partnership change of circumstance form in Section 4, Annex 4L. (According to your agreed processes with your payroll, they can do this on your behalf).• Tell your payroll to stop paying contributions.• Tell your APAC (via your payroll, according to your agreed processes) so that the PenServer record can be updated. | <p>Records:</p> <ul style="list-style-type: none">• Keep any records that can affect the members' pensions. <p>Information:</p> <ul style="list-style-type: none">• Make a note on the record of any booklets that you gave the member when their service ended, and the date you gave them. <p>Provider action:</p> <p>The provider will write to the member with a leavers pack detailing the options available on leaving the CSP arrangements.</p> |
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Dismissal - being dismissed due to inefficiency

retirement (see Section 6.3 for details)

6.2.17 For pension purposes, employees who are dismissed are usually treated as if they had resigned. You can, if you wish, pay them extra lump sum compensation as long as they have at least one year's service. You will meet the cost of the compensation payment.

6.2.18 Your **APAC**, on your request, will calculate the maximum compensation payable on the grounds of inefficiency. You then need to decide how much of this compensation calculation you want to pay, by following the guidance in Section 11 of the Civil Service Management Code. If you are a non-Civil Service employer, you will have to seek guidance from your own management code.

6.2.19 If you are dismissing a **member** due to inefficiency caused by medical reasons, you must first consider them for ill-health

PenServer, payroll and data responsibilities

An overview

PenServer

8.1.1 PCSPS PenServer is the computer software system used by APACs for the administration of the CSP arrangements. For simplicity, we refer to it throughout the EPG as PenServer.

8.1.2 APACs must use PenServer to administer the **classic**, **classic plus** and **premium** schemes and associated benefits, such as added years. PenServer also administers the **CSCS**.

8.1.3 The system has a database that is designed to hold information on members, including:

- personal information, such as date of birth, address and death benefit nominees,
- pensionable pay and salary history,
- service data, including service in other government departments and transfers in from other pension schemes.

8.1.4 PenServer deals with all processes through a range of 'workflows'. These set out all the individual administrative tasks needed for every area of scheme administration. This includes working out scheme benefits and generating associated letters and benefit statements.

Getting information to PenServer

8.1.5 Your payroll/payroll provider is responsible for passing data to PenServer via your APAC by means of

an 'interface.' We tell you about the different interfaces that are available in paragraph 8.1.14.

8.1.6 Your payroll staff input information about new staff and changes to existing staff service and pay onto your payroll system and this is passed to PenServer through the interface, usually on a monthly basis.

Responsibility for accuracy of data

8.1.7 The Delegation Instrument (see Chapter 2 Annex 2A) places responsibility on you for ensuring that the personnel information used for the CSP arrangements is current and correct. The Instrument specifically refers to payroll data. You will need assurance from your payroll that it provides data in the way the interface specification requires when it is passed to PenServer. If you are an employer who uses an external payroll provider, you should ensure they have a compatible interface.

8.1.8 If you are a Sponsor Department for a 'Schedule 1' body (see Chapter 2 for more information), you must ensure that their payroll system interfaces with PenServer.

8.1.9 Whether you have an in-house payroll or a contract with an external payroll provider you, as employer, must make certain that procedures are in place to guarantee the transfer of accurate data. You need sufficient

understanding of how your payroll works to ensure that it carries out your instructions and helps you meet your statutory obligations (such as those under the Data Protection Act).

The CSAVCS, partnership and Stakeholder schemes

8.1.10 Your responsibility for the accuracy of data extends to the **CSAVCS, partnership** pension and designated **stakeholder** arrangements. You must make sure that all personal details, contributions and benefit information are accurate when you or your payroll provider passes them to your APAC. You must also make sure that the information is updated when necessary so that it remains accurate.

Data protection

8.1.11 You are reminded that any data stored electronically is subject to the provisions of the Data Protection Act 1998. Any processing carried out by a data processor (such as an external payroll provider or APAC) on behalf of a data controller (such as an employer) must be done under a written contract or an SLA. If you wish to use external providers' web based applications you must ensure that the appropriate security measures, as laid down by Corporate Sponsor for Information Assurance (CSIA) and National Infrastructure Security Co-ordination Centre (NISCC) are met. We advise you to seek advice from these organisations before you agree to use 3rd party web based applications.

Annual benefit statements

8.1.12 Annual benefit statements are the most effective way of raising the profile of the pension scheme as a valuable employee benefit. They give members

regular detailed personal information about their current and future pension benefits. They prompt the member to check the details and inform your APAC of any changes where necessary.

8.1.13 You have delegated responsibility for providing annual benefit statements through your APAC, to all **classic, classic plus** and **premium** members. (**partnership** members receive statements from their own pension provider). You must ensure this is done.

Types of Interfaces

8.1.14 There are three 'interface' methods for transferring data from payroll to PenServer. They are the Full Interface, the Standard Interface and the Access Database/Manual procedure.

8.1.15 The Full and Standard are electronic interfaces and act in more or less the same way. When the payroll application is run, it creates a set of records and sends them to the PenServer database which enters them on to the correct member record. We recommend that you adopt the Standard Interface as this enables quicker development with lower costs and does not have the complex processing of the Full Interface.

8.1.16 If you are a small employer it may not be cost effective to develop an electronic interface to PenServer. You may therefore decide to use a more suitable method of updating the PenServer records (for example, six monthly manual or spreadsheet updates). For ease of reference, we refer to this as the 'manual interface.' If you are an employer in this position you will need to have arrangements with your APAC for updating the PenServer database; and notify CSPD of the arrangements.

8.1.17 We will advise you on the best interface for your needs.

Changing payroll provider – managing the development of the interface

8.1.18 You must let both your APAC and CSPD know of any plans to change payroll at the earliest opportunity. For planning and managing the development and testing of the PenServer interface, you will require in-house IT expertise. The timetable for the development and testing process will vary according to the size and complexity of the payroll. You will need to plan an adequate development strategy to validate the interface process thoroughly before your new payroll goes live.

8.1.19 You will have to meet the costs arising from the development and testing of the interface. Your APAC may charge for the additional work in validating the test data. You will also have to pay for any involvement by Claybrook, the PenServer software designers. Please note that if your new payroll provider already has an existing electronic interface to PenServer, there may still be testing costs.

Acceptance testing stages

8.1.20 The initial stage is the development and acceptance of the interface, which will map information from your payroll to file formats in accordance with the requirements of PenServer. You will need approval from CSPD and your APAC to complete this; we will talk you through the process and provide the necessary documents to your payroll provider.

8.1.21 The final stage is the acceptance testing by your **APAC**. In cases where you are moving from an existing payroll, the payroll will need to produce parallel 'extract files' covering a range of test cases to highlight any general issues. The files should cover the data for a given period of time and should

incorporate a defined set of data examples as agreed between you and your APAC, consulting CSPD as necessary.

Initial files and the 'cutover' approach

8.1.22 We recommend a 'cutover' approach where, on a change of payroll, your data is already on PenServer. This assumes that data prior to the start of the new payroll is already on PenServer and that the new payroll interface will only supply data relating to the period after the new payroll start date. The date of the start of the new payroll is referred to as the 'cutover date'.

8.1.23 With this approach you will first have to supply your APAC with a set of data files relating to data at the date of the cutover to the new payroll. They should contain data for all employees to be included in the interface.

8.1.24 You must then resubmit the data at the cutover date. The extent to which data is resubmitted will depend upon decisions made following discussions between you, your APAC, and your payroll interface developer. As a minimum, it is essential that you include any data where codes - for example, allowances, bonuses, grading or location - have changed.

Changing APACs – considering the payroll interface

8.1.25 You must remember to consider the payroll interface issue if you change APAC. You should include this as part of your initial discussions. (As APACs administer the CSP arrangements more or less in the same way this is usually a straightforward and simple process.)