Increased Employee Contributions – Updated Specification for Employers and Payroll providers

1. Banded increased employee contributions will be introduced for all active members of the PCSPS with effect from **1 April 2012**. Further contributions will be introduced from **1 April 2013** and **1 April 2014**.The details of how these will be shared will be discussed with the civil service trade unions.

2. The bands that will come into effect from 1 April 2012 are as follows:

Salary band	**Extra employee contribution rate**
Up to £15,000	nil
£15,001 - £21,000	0.6%
£21,001 - £30,000	1.2%
£30,001 - £50,000	1.6%
£50,001 - £60,000	2.0%
£60,001 and over	2.4%

Determining which salary band applies

3. The salary band will be determined as at 31 March each year (starting 31 March 2012) and, subject to certain trigger events (see below), will remain unchanged through the following financial year.

a. The employee's salary band will be based on their pay and all permanent pensionable allowances.

b. For part-time employees, the full-time equivalent pay and permanent pensionable allowances will be used. However, the extra employee contribution rate will be applied to their actual part-time earnings.

Example: An employee works 2½ days a week and earns £20,000. Their full-time equivalent pay is £40,000, so the extra employee contribution rate applicable to them is 1.6%. Therefore their annual extra employee contributions will be £320 (£20,000 x 1.6%).

c. <u>For the purposes of identifying the employee's salary band</u>, "permanent pensionable allowance" means any allowance that the individual can expect to receive on a regular basis, assuming their current terms continue.

Example: If an employee receives a regular pensionable On Call Allowance, this will be treated as a "permanent pensionable allowance". However, any additional payment they receive when they are actually called out will not be treated as a "permanent pensionable allowance".

Any allowance paid in respect of temporary promotion or substitution will be considered a "permanent pensionable allowance" if it is expected to be in payment for more than 6 calendar months. **(Note: Where such an allowance is initially expected to last for less than 6 months, but is subsequently extended beyond the 6 month limit, the salary band must be reviewed as soon as it becomes clear that the 6 month limit is to be breached. Any two or more periods of temporary promotion/substitution will be treated as continuous if the break between them is no more than one month. Where an employee's temporary promotion or substitution is expected to last more than 6 months, but it transpires that it does not, any extra contributions they have paid must be refunded. In assessing the 6 month limit, the start of the period is the day the temporary promotion or substitution begins, <u>even if this is before 1 April 2012.</u>)**

d. Weekly paid employees are assessed for banding purposes in the first pay period after 1 April 2012, then the banding will be applied in week 1.

Triggers for in-year review of salary band

4. Whilst generally the salary band set as at 31 March will remain in effect for the whole of the following financial year, the following events will trigger an in-year review of the salary band.

a. A permanent job change (e.g. promotion or downgrading) that results in a change to the employee's basic pay and/or permanent pensionable allowances.

b. A retrospective general pay rise that is effective on or before the 31 March upon which the current year's salary band was based. Also, a pay rise that will retrospectively affect the starting salary on an in-year promotion that occurred during the current financial year.

c. Any change to pay and/or permanent pensionable allowances as a result of temporary promotion or substitution which is expected to last more than 6 calendar months. **(Note: Where such an allowance is initially expected to last for less than 6 months, but is subsequently extended beyond the 6 month limit, the salary band must be reviewed as soon as it becomes clear that the 6 month limit is to be breached. Any two or more periods of temporary promotion/substitution will be treated as continuous if the break between them is no more than one month. Where an employee's temporary promotion or substitution is expected to last more than 6 months, but it transpires that it does not, any extra contributions they have paid must be refunded. In assessing the 6 month limit, the start of the period is the**

day the temporary promotion or substitution begins, even if this is before 1 April 2012.)

d. Any change to permanent pensionable allowances (other than any annual uplift to the allowance).

e. A retrospective promotion that is effective on or before the 31 March upon which the current year's salary band was based.

f. A pay rise applying on an individual basis (for example when an individual remains in the same pay range but takes on extra responsibilities).

Other issues

5. Other points to note:

a. All extra employee contributions will be paid over to the Civil Superannuation Vote in the same way as current contributions are.

b. For members of **classic**, the extra employee contribution needs to be separately identified from the standard contributions members already pay towards survivors' benefits (generally 1.5% of pay). The interface with MyCSP should include both the standard contributions and the extra employee contributions separately. The extra employee contributions should be held in the SCHCNT field. For **classic** members (only) it is therefore likely to be the case that payslips should show 'standard' and 'extra' contributions separately.

c. For **classic** members who currently receive pensionable allowances for which they are not required to pay the 1.5% survivors' benefit contribution, they will nevertheless be required to pay the extra employee contribution on all their pensionable earnings (i.e. the same as all other members).

d. The interface with MyCSP for **premium**, **classic plus** and **nuvos** members should include both 'standard' and 'extra' contributions and these should be sent across to MyCSP as one, composite, amount.

e. Where new starters join in-year they must be allocated to the appropriate extra contribution band by reference to their starting annual level of permanent pensionable earnings. However, where individuals are merely moving from one PCSPS employer to another their contribution band will be assessed only where the move is associated with a change in pay and/or permanent allowances.

f. Where an individual's pensionable earnings are restricted by reference to the Earnings Cap, they will pay extra contributions only to the level of the Cap. Supplementary Scheme members will pay extra contributions at the top rate (2.4% for 2012-13) on all earnings counting for Supplementary Scheme benefits.

g. Where an individual is treated as receiving ‘assumed pay’ (for example, statutory maternity, paternity or adoption pay, or sick pay at half rate), the salary band is determined by using the pay and allowances they would have received if the individual had not been on reduced pay. However, the extra contribution percentage will be applied to the actual pay they receive.

> *Example: A member whose normal rate of pay is £70,000 is on sick pay at half rate, so they are actually paid £35,000. The extra employee contribution rate for them will be 2.4%, but this percentage will be applied to their half rate sick pay of £35,000.*

h. Extra contributions are not required in respect of Added Years or Added Pension. The 15% limit on added year contributions to the PCSPS is to be removed. However, staff may wish to review their expenditure on Added Years and/or Added Pension and employers and their PSCs should anticipate additional enquiries.

i. Where a member is not paying contributions because they are in a ‘quarantine period’ (i.e. where someone is re-employed during the notional period of service enhancement following early retirement under the pre-December 2010 compensation scheme terms), they do not pay the extra employee contributions until that quarantine period has expired.

j. Employers and their PSCs should ensure they are geared up to cope in the event that the increase in contributions prompts staff to ask about opting-out of the scheme. While MyCSP will not need to record extra contributions (for **classic** members), they will nevertheless need to be taken into account in preparing the pension element of the Remuneration Report. For Resource Accounts for the year to 31 March 2013 onwards, employers should provide to MyCSP the total employee pension contributions as recorded on their payroll system.

k. Employers must keep a record of any instances of an allowance in respect of temporary promotion/substitution not resulting in a review of the salary band because it is initially expected to last for less than 6 months, but is subsequently extended beyond the 6 month limit. This is to allow the Cabinet Office to monitor the application of this provision to ensure consistency across employers.

l. Prison officers with reserved rights to pre-Fresh Start terms will pay the same extra employee contributions as any other scheme member, based on their pay and permanent pensionable allowances – irrespective of whether they are accruing double reckonable service or not.

m. Where an employee reaches 45 years reckonable service, in **classic** their contributions will revert to 1.5%, in **premium**, **classic plus** and **nuvos** their contributions will be nil.

n. The extra contributions are also payable on the pensionable value of any pensionable benefits in kind (e.g. the provision of free uniform on a pensionable basis).