

## EPN 126

### Employer contributions on payslips – raising members' awareness of the value of their pension

#### AUDIENCE

This Notice will be of particular interest to:

- ◆ HR Managers and policy teams
- ◆ Payroll managers

#### ACTION

- To add employer contributions to payslips, where this is not already done
- To use the enclosed model office notice to explain the contribution to members, inserting the appropriate information
- To insert the enclosed new EPG pages in Section 5.

#### TIMING

As soon as is practicable

#### Background

1. We are working with employers to deliver a 3-year Communication Strategy aimed at increasing members' awareness and appreciation of their pension provision and encouraging them to plan for their retirement.
2. The majority of scheme members are not aware of how much it costs to provide their pension scheme benefits. They only see their own contribution. They may be aware that their employer makes a contribution too, but they do not realise how much this is.

## The cost of pensions

3. So that members better understand and appreciate the value of your employer expenditure on pensions, we recommend that you arrange with your payroll provider to show the contribution that you make as employer on your staff payslips.
4. The new EPG section 5.3 enclosed sets out points to consider in consultation with your payroll provider. A model office notice to explain to members the changes to payslips is attached as an Annex to Section 5.3. You should issue it before the change is made, customising the notice as indicated in the areas highlighted in red bold italics.

**Contacts:** If you want more information about the content or distribution of this EPN, or would like to receive it in a different format, for example by email, then you should contact:

Employer Helpdesk  
employerhelpdesk@cabinet-office.x.gsi.gov.uk  
01256 846414

**Reference:** You can find copies of all EPNs and forms in the “Employer and APACs” section of our website:  
[www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

Username: employers  
Password: mc2fxqfy

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# 5.3

## Your responsibilities when staff are in service

### Communicating the value of pensions

**5.3.1 CSPD** recommends that employers should show their pension contributions on scheme members' payslips.

**5.3.2** You will need to instruct your payroll on what to show on the payslip and how to present it.

#### Points to consider

**5.3.3** You need to identify the relevant pay codes specific to your organisation at an early stage.

**5.3.4** To help explain what the payment is for, the description for the payment should be meaningful, such as 'Employer's pension contribution' rather than a code reference. The payment should be listed separately from any deductions from the member's pay, to avoid confusion.

#### What amount will you display?

**5.3.5 CSPD** recommends that as a minimum you show the current month's contribution amount. You could also include the year-to-date cumulative figure if space allows.

**5.3.6** For **classic, classic plus** and **premium**, you should show the employer's contribution for the individual, which will be the **ASLC** amount.

**5.3.7** For **partnership** members, **CSPD** recommends that you show the total employer contribution to their **partnership** pension account, in other words, the age-related amount plus any matching payment. If space allows you may want to show these amounts separately. The contributions shown will match those shown on their annual statement from their account provider

**5.3.8** To avoid confusion, **CSPD** recommends that you do not include the mini-**ASLC** amount on the payslip as the mini-**ASLC** is not paid over to the pension provider for the member's pension account. If this amount is included, their annual statement would appear to be 'missing' contributions of 0.8% of their salary.

**5.3.9** Don't surprise anyone with new information on their payslip! Ideally you should advise your scheme members in advance of the changes to be made to their payslip, with an explanation of what the figures show. A model Office Notice is attached at Annex A for you to use. You should

customise this with the appropriate information as indicated on the notice.

i. **ASLC** rates are issued via an annual **EPN**.

i. Under 'Facts and Figures' on the CSP website you will find the **HBW** report which gives details of the review supporting the current **ASLC** rates.

## MODEL OFFICE NOTICE RE INTRODUCTION OF EMPLOYER CONTRIBUTIONS ON PAYSLEIPS

### NEW INFORMATION ON PAYSLEIPS

As from [xxx – specify month] we will be showing an additional figure on your payslip [under...description\*...]. This shows the amount that we, as your employer, contribute to provide your Civil Service pension benefits. See Annex A for the table of contribution rates.

- *\*Insert details of how the contribution will appear on the payslip – e.g. Does it show the monthly contribution and/or the cumulative total year to date? For partnership does it show one total amount or separate boxes/amounts for the age related employer contribution and the ‘matching’ contribution up to 3%*

#### How is your pension funded?

**classic, classic plus and premium** are ‘defined benefit’ schemes. Many defined benefit schemes are financed through building up a fund in which employer and employee contributions are invested. However, your Civil Service pension is not based on a fund of invested cash: instead, pensions are paid each year from the contributions made by members and employers in that year, topped up as needed by money provided by taxpayers.

Although these schemes are not based on an invested fund, employer contributions are set at a level that would provide a fund sufficient to support the level of benefits being built up in a year by all the members. Employer contributions are set by salary band and reflect assumptions about, for example, the ages of scheme members, length of service and life expectancy. Under current rules the defined benefit schemes have a pension age of 60 which is the earliest that you can take your pension without it being reduced for early payment.

The **partnership** pension account is a **stakeholder**-type pension arrangement that is based on money invested in a personal ‘pension pot’. If you open an account, you can choose whether you wish to invest or not, but we will pay an age-related contribution into your chosen pot anyway, to build up a sum to buy an annuity (pension for life) when you choose. Under current rules, you can buy your annuity at any age between 50 and 75.

#### Can you take your contributions when you leave?

- **classic, classic plus and premium** You don’t have a pension pot to take away, but you will have built up entitlement to a pension (providing you have been in service for more than 2 years). You can leave (or preserve) your entitlement for payment when you reach pension age, or you can transfer the value to another occupational pension scheme. The transfer value is the cash value of the benefits earned, which is the fund that would need to be set aside to finance your pension and related benefits.
- **partnership pension account.** You keep your pension pot with your chosen provider, reflecting the invested value of your contributions plus your employer contributions. You can continue to put money into your pot, but your Civil Service employer contributions will end with your resignation.

If you leave with less than 2 years' service in **classic, classic plus or premium** – you can have a refund of your own contributions less tax and the cost of buying you back into the **state second pension scheme (S2P)**. The employer contributions that we have paid are not refunded either to you or to us. As an alternative to a refund you can transfer the value of benefits earned to another pension scheme within 12 months of leaving.

Want to know more about your pension?

The Civil Service Pension website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk) has lots of useful information for scheme members including a range of leaflets and booklets that can be downloaded, including:

**Your classic pension benefits explained**  
**Your classic plus pension benefits explained**  
**Partnership pension account**  
**Premium pension scheme**

If you want to find out how you can increase your pension, you will also find the following booklets on the website:

**Buying Added Years for your classic pension**  
**Buying added years for your pension in classic plus and premium**  
**Stakeholder pensions**  
**The Civil Service Additional Voluntary Contribution Scheme**

***[If applicable, reference to intranet links/administrator's website]***

You can obtain hard copies of the booklets from our APAC (Authorised Pensions Administration Centre) ***[ Insert name of APAC .....]***, who can also help with any queries.

**APAC Contact details**

***Email address .....***

***Telephone Helpline .....number .....***

**If you have a query about your pay or payslip** you should contact: ***[Insert contact details [payroll section/manager]***

## Employer contribution rates

Employer contributions for the defined benefit schemes are a percentage of your pensionable pay. The scheme actuary reviews the rates and revises them when needed.

- The rates and bands for **classic**, **classic plus** and **premium** for the year April 2005-March 2006 are:

Pay	Employer Contribution
£18,000 and under	16.2%
£18,001 to £37,000	18.6%
£37,001 to 63,500	22.3%
£63,501 and over	24.6%

***\*[Prison Officers with reserved rights  
(Pre Fresh Start) 25.6%]***

- partnership pension account** employer contributions are based on age:

Age at the last 6 April	Percentage of your pensionable earnings
Under 21	3%
21-25	4.5%
26-30	6.5%
31-35	8%
36-40	10%
41-45	11.5%
46 or over	12.5%

On top of this, we will match any regular contributions you choose to make to your partnership pension account, up to an additional 3% of your pensionable earnings.

Also for partnership members, we pay 0.8% of your pay to provide death-in-service and ill-health benefits for partnership members. This amount is not shown on your payslip.

***\*As applicable – for Home Office or Scottish Prisons only.***