

4.2

Your responsibilities when staff join Partnership

Introduction

4.2.1 Section 3.2 of the EPG tells you about the **partnership** pension account and how it works. Please read it before processing any **partnership** applications.

4.2.2 The new entrant Starter Pack tells new entrants who wish to open a **partnership** account to contact the **partnership** pension provider(s) directly for an application pack. The application pack will explain what the provider has to offer and contains the provider application form.

4.2.3 Annex 4D lists the helpline numbers for each of the providers, which are also available on the provider flyers included in the new entrant Starter Pack. Members are responsible for requesting information from the provider(s) directly. They can request packs from more than one provider but can only choose one.

4.2.4 New entrants complete the PensionChoices form and fill in their section of the chosen provider's application form. They send both forms to you. If the new entrant applies for

partnership within 3 months of the start of their employment they are entitled to have the employer contributions to **partnership** backdated to the first day of service.

Employer actions

4.2.5 You are responsible for processing the forms. This means that the new entrant's **partnership** pension account is not set up until you process the application form and send it to the provider.

Important note

For the purposes of this guidance only, we have referred to action that you, as employer, should undertake. You may decide that your APAC is better placed to carry out some or all of the actions on your behalf. In that event, you must agree the processes for taking appropriate payroll action in a timely fashion with your APAC. We recommend that you include any agreement in your SLA.

Table 1 sets out the steps for you and your payroll to follow

Table 1 Actions for employer and payroll

Step 1

Check the PensionChoices form. This will show you that the new entrant has chosen **partnership**. It is important to check that the applicant has signed and dated the form and that they have entered the correct employer details.

If the new entrant has chosen **partnership**, have they sent you a provider application form?

If YES, please go to step 2.

If NO, please contact the new entrant and ask them to:

- choose a provider and remind them to contact the chosen provider for a **partnership** application form
- fill in the employee section of the provider application form
- send the provider application form to you as soon as possible. (You may wish to remind the new entrant that if they make their pension choice within the first 3 months of employment you will backdate the employer age-related contributions to **partnership** to their first day of service.)

You should not take any further action until the new entrant has sent the provider application form to you.

Step 2

Check the provider application form to ensure that:

- the new entrant has entered all of their personal details on the front page of the provider application form, and signed and dated the form
- if they have chosen to split contributions between funds, the % splits add up to 100%
- although the employee is not required to contribute anything, if they have chosen to contribute they have shown their contribution as a percentage to one decimal place.

If any information is wrong, you will need to return the form to the new entrant for amending, reminding them of the 3 month choice period. If the 3 month choice period lapses whilst you are sorting out enquiries, you should consider the circumstances as to whether or not you 'unscramble' **nuvos** contributions (see paragraph 4.2.17). It is reasonable to do so if the new entrant originally returned their form within the initial 3 months. However, you may decide against unscrambling if the new entrant has caused unreasonable delays.

Step 3

Complete the employer section on the provider application form.

- **Employer details:** this should be the name of your department/body and not just 'Civil Service'.
- **Partnership Numbers (Employer/payroll codes):** these codes help the pension providers to identify where the data has come from, so that they can resolve any problems quickly. Obtain your code before completing any **partnership** application forms. CSPD's Employer Helpdesk team will give you a code if you do not already have one. employerhelpdesk@cabinet-office.x.gsi.gov.uk
- **First payday on which payments are to be deducted:** this is the date your payroll will send the first **partnership** contributions to the chosen provider. Make sure that the providers receive all applications in good time before the first payment. This is important as it allows the provider to set up the member's account before receiving the first payment. You may need to check with your payroll provider how long it will take them to set up the payment.
- Where new entrants make their pension choice within the 3 months' choice period, you should backdate their option to the first day of their service. You must enter the date that the first payment is due and not the date the new entrant started work with you. For example, if a new entrant started work on 1 September and made their choice at the beginning of October, the next payroll date is 31 October. You can write the entry as such: '31.10.07 backdated to 01.09.07' or 'October backdated to September' or just October and a letter to confirm original start date.
- **Pensionable earnings:** as a general rule, only permanent items of pay are pensionable. This will include any pensionable allowances but will not include payments such as overtime. The employee may, however, also have some non-cash pensionable earnings. For example, some people may receive 2% uniform allowance and others may have an allowance for accommodation. In these circumstances, you should also pay contributions based on the equivalent cash value of these non-cash pensionable earnings.
- **Age-related and matching payments:** employer contributions are in two parts, age-related and matching.
- You pay an age-related contribution for all **partnership** members whether or not the member contributes. The level of contribution depends on the employee's age at the beginning of the current tax year (on 6 April last). Annex 3D of this guide sets out the percentage contribution. You must put the appropriate percentage on the provider application form and review the age contributions each year. **You will need to revise the contributions when a member moves into a**

different age band.

- The employer matching contribution depends on whether, and how much, the member chooses to pay to **partnership** as a regular contribution. You can find out how much the employee wants to contribute from the information they give in the employee section of the provider application form. If the new entrant has chosen to make an employee contribution, you will match this up to a maximum of 3% of the employee's pensionable earnings. You will pay no more than 3% regardless of whether the new entrant pays more than that. You can make a higher contribution in exceptional circumstances provided that these are justified on a case by case basis as necessary for recruitment and retention purposes. You must report all cases to CSPD (via Employer Helpdesk in the first instance); you will need to ensure that your payroll provider and the pension provider are fully aware that non-standard contributions are to be paid.

Annex 4E provides examples and further information on how to calculate **partnership** contributions.

- **Payroll Reference Number:** this is the employee's payroll reference number.

Step 4

Send the application form to the provider. You should send applications in bulk each week to each provider. You must be sure that the member application form will reach the provider in good time for them to set up the account before payroll sends the first payment.

Step 5

Instruct your payroll to begin making deductions from the new entrant's or rejoiner's salary and to unscramble **nuvos** or **premium** contributions if necessary. (See paragraph 4.2.17). Your payroll provider must then send both the employer and employee contributions to the chosen provider. In addition to paying the age-related and matching contributions, you must also pay a mini ASLC of 0.8% of pensionable earnings to Cabinet Office Civil Superannuation to cover the cost of benefits due as a result of death in service or ill health retirement. Section 3.5 tells you more about this. It also gives you the deadlines you must meet for paying the contributions.

Your payroll must also send a schedule via the provider's website which we call web based scheduling. Further guidance on Web Based Scheduling can be found in EPN 207. This schedule contains data, such as member name and NI number, as well as amounts of employer and employee contributions. The provider needs this information in order to allocate the contributions and set up the account. To set up a web based scheduling account you will need to:

- decide who in your organisation will have access to submit pension contribution schedules. They will, of course, need to have access to the Internet; and

- request access to the providers' web sites. You will need to contact each provider separately to request access to their websites.

All three provider web sites have been designed with ease of use in mind and, although different, their functionality is broadly similar.

You can use web based scheduling to automatically deduct the total contributions listed on the schedule from your payroll account. The money is not deducted until you submit your schedule. Alternatively you can use web based scheduling for the transmission of member information but carry on making your payments by BACS.

Provider contact details are:

- Standard Life - Robin Stirling – Robin_Stirling@standardLife.com
- Tel: 0131 245 5208
- Scottish Widows – Adele Robertson – adele.robertson@scottishwidows.co.uk
- Tel: 0131 655 2251
- TUC/Prudential – Heike Burnell and Georgina Deacon – civilservice@prudential.co.uk – Tel: 0845 070 6666

Step 6

Send Pension*Choices* form to your APAC. Do not send it to the provider. Your APAC will use this to update the member's pension record and note the death benefit nomination.

Employers' regulatory responsibility

4.2.6 Because the **partnership** pension account is a stakeholder type pension, it is vital that you follow the correct procedures. The Financial Services Authority (FSA) and The Pensions Regulator regulate stakeholder pensions, which means that the pension providers have strict guidelines to adhere to. If you do not follow these procedures, the providers may report you to The Pensions Regulator. (For example, FSA rules do not allow providers to hold monies which they cannot apply to a member's account for more than a few days.) The providers can only invest contributions if they have the

corresponding application form and receive the schedule via Web Based Scheduling. If they do not have all the necessary information, the providers will have to return any payment you may have sent. This means you will have to reverse the contributions and set them up for the following month.

4.2.7 Your payroll must send contributions to the provider as soon as possible after being deducted from an employee's pay. This is so that the member does not suffer a loss of investment opportunity. There is a statutory deadline under the Welfare Reform and Pensions Act 1999, which requires the employee and employer contributions to be paid by the 19th of the month following the month in which

they were deducted from the policyholder's salary. You should, ideally, instruct your payroll to pay contributions within the shortest possible time.

4.2.8 The pension providers tell us of any employers who do not get payments and documentation to them within the statutory set time limits.

Policy start dates

4.2.9 The chosen pension provider will send a policy schedule to the member when the application has been processed. The start date on the policy schedule is unlikely to be the date the new entrant took up employment with the Civil Service or the day they signed their application form. The providers allocate the policy start date as the month in which they receive and process the first contributions. This can include backdated contributions but the policy schedule itself will not be backdated.

'Cooling off' period

4.2.10 After applying for **partnership**, the member has a 30 day 'cooling off' period in which to change their mind. The provider will write to you and refund both the employee and employer contributions if the member cancels their policy. You must arrange for the member to receive a refund of their contributions.

Sporadic earnings

4.2.11 Some employees do not receive any pensionable earnings and are not paid through the payroll. This is particularly common with fee-paid staff who often invoice the employing department as and when they do work for them. If the fee-paid person meets

the eligibility criteria for scheme membership you need to:

- attach a note to the provider application form when you pass it to the provider to say that the policy should be treated on a single payment basis and
- send a cheque covering the employee and employer contributions to the provider as and when the employee is paid, together with details of who the payment relates to.

4.2.12 Where the provider application form asks for details of the individual's annual pensionable earnings you should estimate what their annual pensionable earnings will be. You should do this even where it is unclear what future work the individual might undertake.

4.2.13 The Pensions Regulator requirements mean that employers must tell the **partnership** provider if no contributions are to be paid in a particular month and the reason why. Where there are no pensionable earnings and therefore no contributions for a particular month if you are sending information via web based scheduling you must put 0.00 in the contribution rate and you may be asked to select a reason such as payment holiday.

For the manual schedule you can either:

- mark the individual's entry on the monthly data file with the status code of 0 ('sporadic earnings'); or
- mark the individual's entry on the monthly data file (from payroll to the pension provider) with the status code of 3 ('contribution holiday').

Extending the 3 month deadline for new entrants

4.2.14 Sometimes, new entrants, through no fault of their own, do not receive their Starter Pack until some way into their first three months. In these circumstances, you should encourage individuals to return their PensionChoices form as soon as possible, but you should still allow them three months to make their choice if they need it. On receipt of the form, you should process it as quickly as possible, backdating employer **partnership** contributions to the first day of service.

4.2.15 In this situation, or if there is a delay in processing the **partnership** application form, you will need to tell the new entrant that you will backdate any employee contributions to their first day of service. Therefore, significant arrears could mean a big deduction from one month's pay. See paragraph 4.2.17 onwards for 'unscrambling' actions.

4.2.16 A new entrant can vary their initial contributions to avoid significant arrears being deducted from one month's pay. Individuals might, for example, choose not to make contributions for the months that are backdated, and only contribute for the future. They could do this by indicating a zero contribution on their provider application form and then opting for an increase by completing a contribution change form.

Unscrambling

4.2.17 If a new entrant is defaulted into **nuvos** and they opt for **partnership** within three months of joining, you must fully backdate their choice of **partnership** to their first day of service.

4.2.18 This means that you (or your payroll) must:

- refund to the employee any **nuvos** employee contributions paid in earlier months, less income tax, and less the employee's Contribution Equivalent Premium (CEP). (See paragraph 4.2.19 for further information).
- recover overpaid **nuvos** scheme ASLCs from Cabinet Office Civil Superannuation
- pay a backdated mini-ASLC to Cabinet Office Civil Superannuation to cover death and ill-health benefits
- work out the employer's CEP and reinstate the employee into State Second Pension (S2P) from their first day by paying the employer's and employee's CEP to NICO
- work out employee and employer **partnership** pension contributions from the first day of service, and send these backdated contributions to the pension provider with the first payroll run following the member joining **partnership**.

Table 2 sets out the cash flows when you have to take unscrambling action.

Table 2 Cash flows to unscramble nuvos contributions for new joiners and premium contributions for rejoiners			
	Paid to	How cost is met	Action by
Refund of nuvos/premium contributions	Employee (via payroll)	Offset against payments of nuvos/premium employee contributions to Cabinet Office Civil Superannuation	Employer/payroll
Refund of nuvos/premium ASLCs	Employer	Offset against payments of nuvos/premium ASLCs to Cabinet Office Civil Superannuation	Employer/payroll
mini-ASLC	Cabinet Office Civil Superannuation	Employer	Employer/payroll
Employee's CEP	NICO	Employee (via payroll)	Payroll
Employer's CEP	NICO	Employer	Payroll
Backdated employee's partnership contributions	Pension provider	Employee (via payroll)	Payroll
Backdated employer's partnership contributions	Pension provider	Employee (via payroll)	Payroll

Contribution Equivalent Premium (CEP)

4.2.19 Part of the unscrambling process is the payment of a CEP to National Insurance Contributions Office (NICO). **nuvos** and **premium** scheme members are contracted out of S2P. Paying a CEP buys them back into S2P for the period they were defaulted into **nuvos** or **premium**.

4.2.20 To understand how to calculate a CEP, please see www.hmrc.gov.uk/nico

Employee leaves, having chosen **partnership**, before employer action is completed.

4.2.21 If an employee applies for **partnership** but leaves before you have completed your action, you must honour the agreement and pay any outstanding contributions for the period the account runs from and to. In cases where someone has left your employment and has been taken off your payroll before you have had time

to set up their account, your payroll must:

- action the account with the application form and pay the age - related contribution,
- ask the member to pay their contribution direct to the pension provider, and
- check with the provider that the member has done so.

Your payroll must also find out the amount the member has paid so that they (payroll) can pay any outstanding matching contributions.

Member wishes to transfer other pension benefits into their **partnership** account

4.2.22 If a member chooses **partnership** and wishes to transfer any other pension benefits they may have into it, they must request this by attaching a covering note to the **partnership** pension provider application form. Alternatively, they can contact the new provider directly. Annex 4D gives the contact details of the **partnership** providers.

Ongoing payroll action

4.2.23 Your payroll must send a completed schedule via web based scheduling to the member's pension provider every time they, (your payroll) pays over contributions.