



Employer Administration Guide

The CARE Scheme

Defined Benefit and Defined Contribution



The Pensions Trust

Employer Administration Guide



Introduction

The Pensions Trust's CARE (Career Average Revalued Earnings) Scheme (the Scheme) is an occupational pension scheme. This booklet has been produced for use by employers with employees who are (or are eligible to become) members of the Scheme. Its purpose is to acquaint employers with the obligations placed upon them.

Admitting New Members

Prospective Members

It is a requirement of the Pensions Act 1995 to give basic legal information about your pension arrangements, where practicable, to every employee who is or will be eligible to join, and failing this within two months of them becoming a member.

Members will receive a copy of the booklet 'A Guide for Members' containing the disclosure information when they have joined the Scheme. If an employee requires a copy prior to joining please let us know and we will provide one.

General Information

I A completed Employee Application Form must be sent to The Pensions Trust, if possible prior to the date of joining the Scheme. Please check that all appropriate sections have been completed and that the form has been signed both by the employee and on behalf of the employer.

- 2** The lump sum death benefit and pension nomination sections, if applicable, should be completed so as to avoid unnecessary delays in the payment of benefits in the event of death-in-service.
 - 2.1** Members may defer nominating who they wish to receive the survivor's pension when they first join, or alternatively make changes to their nominee at a later date, subject to Scheme rules.
- 3** Once the Employee Application Form has been processed, a Membership Certificate will be prepared by The Pensions Trust and sent direct to the member.
 - 3.1** You will be notified of the employee's Membership Number (and contribution rate).
 - 3.2** Please quote this number in any future correspondence.
- 4** Contributions in respect of the member should not be deducted and sent to The Pensions Trust until you have received confirmation of his/her Scheme membership.
- 5** Part-time employees may join the Scheme. Please ensure that the full-time equivalent to the part-time hours is noted on the Employee Application Form.

Prompt Submission of Employee Application Form

An employee will not be classed as a member of the Scheme until a completed Employee Application Form, signed by both the employer and the employee, has been received by The Pensions Trust. Employee Application Forms for existing employees should be sent to The Pensions Trust before the proposed date of joining the Scheme, otherwise employees will be enrolled into the Scheme on the first of the month following receipt of the Employee Application Form.

It is extremely important that these application procedures are followed. If this is not the case and a member dies shortly after the expected date of joining, there could be complications with the payment of benefits.

Backdating Membership

It is not possible for either employers or employees to backdate their commencement of membership in the Scheme. However, an employee can pay Additional Voluntary Contributions (AVCs) to buy additional benefits if they wish to do so. Employers should therefore complete and return the Employee Application Form to The Pensions Trust as soon as possible to ensure that the correct date of entry into the Scheme is recorded.

Transfers to The Pensions Trust

Transfers into the Scheme will not be accepted on a defined benefit (DB) basis with effect from 1 April 2011. This measure is intended to protect the Scheme and many other private sector pension schemes have taken the same step. Any transfers 'in progress' at 1 April 2011 will be allowed to proceed, but strict time limits will be applied to the member decision making process.

Going forward it may be possible to transfer benefits into the defined contribution (DC) structure that will be available from 1 April 2011, subject to certain conditions being met. Employers should advise staff that the process can take a considerable amount of time, and should allow at least three months before contacting The Pensions Trust on the progress of the potential transfer.

If any member is interested in a transfer they should contact our Administration Team on joining the Scheme.

Annual Update

All contribution rates for members must be updated each year on 1 April unless you request a different annual date (e.g. to coincide with salary reviews). Please note the annual date for scheme benefits is always 1 April, regardless of the above.

Cost to Members

Members pay an age-related contribution rate, as follows:

- For the DB 80ths structure, this is calculated as a member's age at their date of joining the Scheme, divided by 10.
- For the DB 100ths and DC structures this is calculated as a member's age at their date of joining the Scheme, divided by 10, minus 1.

Many employees do not join the Scheme because they think that it might be too expensive. The main reason for this is that they do not take account of the savings due to tax and, where applicable, National Insurance. To assist you in providing help for your members we have enclosed an 'Employee Cost Calculator' on page 9 which will calculate the net cost to the member.



Please note: Members who are in the DB 80ths structure of the Scheme will be contracted-out of the additional State Pension (known as State Second Pension) and will therefore benefit from National Insurance savings.

Members who are in the DB 100ths and DC structures of the Scheme will be contracted-in to the Second State Pension and will therefore pay the full rate of National Insurance.

Leaving or Temporary Absence

What to do when an employee is absent from work

Maternity Leave The first 39 weeks

Please notify The Pensions Trust in writing when the maternity leave begins. The member is entitled to up to 39 weeks Scheme membership regardless of whether she receives pay during this period.

Where the member receives pay from the employer, contributions should be deducted from this at her usual percentage rate, but only on the actual pay she receives. The member's contributions may therefore be lower than normal.

The employer is required to pay its full contribution, i.e. as though the member were working normally, plus any shortfall in the member's contribution. Therefore, in cases where the member receives no pay, the employer must pay the full combined (member plus employer) contribution.

Please note: If the member returns to work before 39 weeks' absence, her normal contributions must resume immediately.

Weeks 40 – 52

During this period, unless the member is still receiving pay from you, no contributions are due and no benefits will accrue.

Return to Work

When the member returns to work you should inform us, in writing, and resume deducting contributions as normal.

If the member wishes to pay arrears of contributions to cover any period of unpaid maternity leave, the employer has discretion over whether or not to pay its contributions.

Please note: Where the employer declines to pay, the member may, if she wishes, pay the employer's share. If anything less than the full amount is paid, benefits will be adjusted to reflect the proportion of the full contributions that has been paid.

Family Leave

'Family leave' means leave that men or women are entitled to take by law – either paternity leave when a child is born or adopted, or parental leave to care for a child.

If family leave is paid, the rules apply as for maternity leave (above). If it is unpaid, the member will have the option to pay missed contributions upon their return to work, and if they do, the employer has discretion over whether or not to pay its share. If the employer declines to pay, the member may, if they wish, pay the employer's share. If anything less than the full amount is paid, benefits will be adjusted to reflect the proportion of the full contributions that has been paid.

Sick Leave and Other Temporary Absence

If a member is off work due to illness or injury or is on family leave for up to 12 months, and is in receipt of full or reduced pay, they will pay contributions at their normal percentage rate on whatever pay they receive. Therefore, if a member receives full pay, they will pay their usual (full-rate) contribution, but if their pay drops to half-rate, the contribution deducted must also be reduced to half their normal amount. Please notify The Pensions Trust, in writing, as soon as an employee goes on to reduced pay. Alternatively, the employee may choose to stop contributing during this period, in which case no contributions are due from the employer.

When the member returns to work they will have the option to pay the contributions missed. If the member opts to do so, the employer may, at its discretion, also choose to pay the employer contributions missed.

If both member and employer pay full contributions, the member will receive full benefits for the period of absence. (Please note: Where the employer declines to pay arrears, the member may, if they wish, pay the employer's share to provide full benefits).

If anything less than the full amount is paid, benefits will be adjusted to reflect the proportion of the full contributions that has been paid.

Should the member choose not to pay the contributions missed, they will not accrue any benefits for that period.

If the absence is likely to extend beyond one year, please contact The Pensions Trust, as continued membership is at the discretion of the Trustee and is subject to certain conditions.

The full range of death benefits will continue to apply during periods of absence of up to 12 months.

Other Reasons

If a member is temporarily absent from work for reasons other than illness or pregnancy (e.g. secondment) please seek guidance from The Pensions Trust.



What to do when an employee leaves the Scheme

- 1 Complete and return a Withdrawal Form to The Pensions Trust prior to the employee's date of leaving, if possible.
- 2 Once The Pensions Trust has received the form, a letter will be issued direct to the employee outlining the options available:

- **A deferred pension** – The pension remains in The CARE Scheme. DB pensions will continue to increase and DC funds will continue to rise and fall in line with investment performance while in deferral. Benefits can be taken at age 55, but DB pensions will be reduced if taken early and DC pensions will be based upon the member's accumulated fund at the date they retire. Members with a protected pension age can retire from between ages 50 and 55 but they will have to leave their job to do so.

- **A transfer** – It may be possible for the member to transfer benefits from the Scheme to another registered pension scheme. Members who wish to take this option should ask their new pension provider to contact The Pensions Trust for a quotation.

- **Refund of contributions** – this option is only available to members with less than two years' qualifying service. The member will receive a refund of their own contributions in the Scheme (but not their employer's).

There are two deductions from the refund:

- tax will be deducted from the contributions refunded at an amount required by HMRC. This is to take into account the tax relief members received on the contributions paid in to the Scheme; and
- if the member is in the DB 80ths contracted-out structure, an amount which will buy the member back into the additional State Pension (known as State Second Pension).

By taking a refund a member will, by law, lose any benefit from their allocation of Scheme surplus.

- 3 If the employee is leaving because of ill-health or is taking retirement, refer to 'Retirement and Death' on page 6 for more information.

Please note that it is important to complete the Withdrawal Form fully. Failure to do so may cause additional delays in The Pensions Trust's procedures when issuing information.

An employee who has previously chosen to discontinue contributions while remaining in your employment and wishes to resume paying contributions, may do so subject to your agreement and that of The Pensions Trust.

Retirement and Death

When an employee retires before Normal Pension Age (NPA)

NPA for the Scheme benefits is 65 years. However, if an employee chooses to continue to work after NPA their membership of the Scheme may continue.

You, as the employer, may have agreed an earlier retirement age.

If a member has reached age 55 they have the option to take all or part of their benefits while remaining in your employment. The option to do this will be available once every 12 months. In addition if a member does elect to take either all or part of their benefits, they may continue to contribute to the Scheme and earn further benefits. In this case contributions should continue to be deducted and paid across as before.

If a pension from one of the DB structures is claimed prior to age 65 it will be reduced to reflect early payment. The pension will be smaller than it would be at NPA because:

- the member will have been in the Scheme for a shorter period; and
- the earlier a pension starts, the longer it is likely to be paid.

A DC pension taken before age 65 will be based upon the member's accumulated fund at the date they retire. The pension is likely to be smaller than it would be at NPA because:

- fewer contributions will have been paid into the Scheme; and

- the pension amount will reflect the fact that the pension will have to be paid for longer.

If the employee decides to take their pension early, please notify The Pensions Trust and we will then send the employee information about their retirement options.

Complete the Withdrawal Form as soon as possible and send it to The Pensions Trust if the retirement is to go ahead. The Pensions Trust will then liaise directly with the employee.

When an employee is due to retire at NPA

Please complete a Withdrawal Form as soon as possible. The Pensions Trust will then liaise directly with the employee and provide details of the options available.

If you also want to know what these options are, please inform The Pensions Trust when you send the form.

Please note that we cannot pay any benefits without your confirmation of the member's withdrawal or retirement.

When an employee has to retire because of ill-health

Inform The Pensions Trust as soon as it seems likely that an employee may need to retire early because of ill-health. Guidance on eligibility for early pension benefits is available on request. The Pensions Trust will send a questionnaire for you to complete and return. We will also ask the employee concerned to complete and return a form giving consent for The Pensions Trust to contact his/her doctor for a medical report.

In order for the member to qualify the Trustee must be satisfied that the employee will be unable to work again, in any capacity, before reaching NPA. If the pension is paid, it will be at a higher rate than if the employee had voluntarily elected to retire earlier than the NPA.

Once the ill-health retirement is approved, we will contact you to request a Withdrawal Form. The ill-health pension is payable from the day after the date of retirement shown on the Withdrawal Form.

When an employee takes flexible retirement

If a member has reached age 55 they have the option to take all or part of their benefits while remaining in your employment. The option to do this will be available once every 12 months. In addition if a member does elect to take either all or part of their benefits, they may continue to contribute to the Scheme and earn further benefits. In this case contributions should continue to be deducted and paid across as before.

Protected Pension Age

Members who joined the Scheme before 6 April 2006 have a protected pension age of 50. These members can retire from age 50 but they will be required to leave the employment to which the pension relates if they retire before age 55.

What to do when an employee dies

As soon as you become aware of the death of an employee who was an active member of the Scheme, you should telephone your normal contact at The Pensions Trust immediately. You should provide as much information as possible, so that the necessary benefit calculation can be commenced. You should follow this up with a letter enclosing the **original** death certificate and a completed Withdrawal Form.

Any further information relating to the deceased employee's next of kin or nominated beneficiaries, or any unusual circumstances, should be notified. This will assist The Pensions Trust in dealing with the payment of the benefits in a sympathetic and efficient manner.

If you prefer to remain involved, you should notify The Pensions Trust. Otherwise, The Pensions Trust will liaise directly with the deceased's family and/or nominated beneficiaries, asking for any necessary forms to be completed and requesting copies of relevant certificates.

Payroll/Payment Procedures

Procedure

Every month, employers will be expected to provide The Pensions Trust with a complete list of contributions applicable to each individual member. Contributions must be received by The Pensions Trust by the 14th of the calendar month following the month in which the contributions were deducted from the members' salaries. The list of contributions must include the following information:

- National Insurance Number;
- The Pensions Trust Membership Number;
- Member's Name;
- Annual Pensionable Salary;
- Employee Contributions (increases annually in line with member's age);
- Employer Contributions;
- Additional Voluntary Contributions (AVCs); and
- Comments.

The Pensions Trust's eBusiness system provides a secure method for submitting earnings and contributions data, actioning internal transfers and providing notification of leavers. It will also be used to collect any charges which apply and, later in your membership, any past service deficit contributions. Any payments due to the Scheme will be validated and paid in one transaction each month.

The system automatically encrypts the information, making it a secure method of data transmission. Access is restricted by password authentication.

Further information can be found online at www.thepensiontrust.org.uk under the eBusiness section.

This information should be sent by email to: contributions@thepensiontrust.org.uk



If you are unable to provide this information in the preferred format, or your expected membership is less than ten, it is possible for The Pensions Trust to provide you with a paper alternative and a users guide. Whichever format is used, please note you are legally obliged to remit, on time, all contributions deducted from employees' pay. Failure to do so may incur a penalty being imposed on the employer by The Pensions Regulator. The Pensions Trust will not be responsible for any penalty so imposed.

If you have any queries regarding any of the above, or require any further information, please contact the Pension Support Team at The Pensions Trust on 0113 394 2894.

Basic Data Changes

It is important that members notify us when their circumstances change, so that we may update our records accordingly.

Change of Address

As part of our continual improvement process within the Customer Services Team we can now take changes of address over the telephone. Before we can update the member's record we will need to ask a few simple questions to verify the member's identity. These are as follows:

- Full Name;
- Date of Birth;
- National Insurance Number; and
- Membership Number.

If the member is unable to supply this information, for security reasons, we may ask the member to confirm the change of address in writing.

Change of nominee for survivor pension/lump sum death benefits

We are unable to accept such changes over the telephone or by email.

The member can either:

- provide signed confirmation of the changes; or
- request a Nomination Form to be issued, which should be completed and returned to The Pensions Trust as soon as possible.

Change of Name/Status

We are unable to accept such changes over the telephone or by email. All changes of name/status should be confirmed in writing accompanied with a copy of the relevant certificates (marriage, deed poll, etc). If the member is married or has nominated a beneficiary for the dependant's pension, it would be beneficial to provide us with a copy of the partner/spouse's birth certificate.

Certified photocopies are acceptable.

Please do not send original certificates.

Additional Voluntary Contributions (AVCs)

Employees who are members of The CARE Scheme can pay Additional Voluntary Contributions (AVCs) to boost their benefits at retirement. You, as the employer, are not required to make any extra payment.

Members can receive full tax relief on contributions to as many different tax-registered pension arrangements as they choose, provided that the total paid in each year does not exceed their annual earnings or the 'Annual Allowance'. Further restrictions apply to members earning £130,000 a year or more. However, the restrictions on the amount of contributions which can receive tax relief, is the responsibility of the member, not the employer. Further information is provided in the AVC section in the booklet 'A Guide for Members'.

Any member wishing to pay AVCs should complete an AVC Application Form. You must then sign the Employer's Declaration before sending the completed form to The Pensions Trust so that our records can be updated. Wherever possible, AVCs should be expressed as a percentage of salary. AVCs must be deducted from an employee's gross pay in the same way as the main contributions, before calculating tax under the PAYE system.

A further guide, 'How to Boost Your Pension', is available on request.

Employee Cost Calculator

Calculation of the net cost to the employee of The CARE Scheme

The Government encourages employees to join pension schemes by granting tax relief on their contributions. Also, members are contracted-out of the additional State Pension (known as State Second Pension) and in the DB 80ths structure of the Scheme pay a lower rate of National Insurance. When these savings are taken into account the net cost to the member is considerably less than the gross amount deducted from their pay.

To calculate the net cost to the employee, simply complete the following:

A – Gross Contribution

$$\text{Contribution rate} \quad \text{Annual Salary} \quad \text{Annual Contribution Rate}$$

$$\boxed{} \% \times \boxed{\text{£}} = \boxed{\text{£}} \text{ p.a.}$$

Please note that the contributions will increase each April (or other specified date) by 0.1%.

B – National Insurance Savings (for members in the DB 80ths structure only).

$$\left(\frac{\text{Annual Salary}}{\text{£}} - \text{Lower Earnings Limit}^* \right) \times 0.016^{**} = \boxed{\text{£}} \text{ p.a.}$$

*Please consult your payroll or personnel department for the up-to-date figure (currently £5,044 per annum for the 2010/2011 tax year). If earnings exceed the Upper Accrual Point (£40,040 p.a.) then the maximum saving will be attained (£559.94 for 2010/2011). The Lower and Upper Earnings Limit change each tax year.

** 1.6% is the current employee National Insurance saving rate.

C – Tax Relief

Gross Contribution (See A) Employee's Highest Tax Rate

$$\boxed{\text{£}} \times \quad 20\% \text{ or } 40\% \quad = \boxed{\text{£}} \text{ p.a.}$$

Please note: Someone who is only just into either the 20% or 40% tax band will only get tax relief at 20% or 40% on part of their contributions. Income tax rates may change in the future. Please contact your payroll or personnel department for up-to-date rates.

D – Net cost

Amount to deduct from employee's pay each month is:

$$\boxed{\text{£}} / 12 = \boxed{\text{£}} \text{ per month}$$

Monthly net cost to employee is: (for members in the DB 80ths structure).

$$\begin{array}{ccccccc} & \mathbf{A} & & \mathbf{B} & & \mathbf{C} & & \mathbf{D} \\ \text{£} & - & \text{£} & - & \text{£} & / 12 = & \text{£} \end{array}$$

Monthly net cost to employee is: (for members in the DB 100ths and DC structures).

$$\begin{array}{ccccccc} & \mathbf{A} & & \mathbf{B} & & \mathbf{C} & & \mathbf{D} \\ \text{£} & - & \text{£} & - & \text{£} & / 12 = & \text{£} \end{array}$$

Please photocopy this page as required.

Example 1:

Age at date of joining DB 80ths structure = 35
Contribution Rate = 35 divided by 10 = 3.5%
Salary = £20,000 p.a.

A – Gross Contribution

$3.5 \times 20,000 = £700$ p.a.
100

B – National Insurance Savings

$£20,000 - £5,044 \times 0.016 = £239.30$ p.a.

C – Tax Relief

$£700.00 \times 20\% = £140.00$ p.a.

D - Net Cost

Amount to deduct from employee's pay each month is:

$£700.00 = £58.33$ gross contribution per month
12

Monthly net cost to employee is:

$(£700 - £239.30 - £140) = £26.73$ net contribution
per month

12

Example 2:

Age at date of joining DB 100ths structure = 35
Contribution Rate = (35 divided by 10) - 1 = 2.5%
Salary = £20,000 p.a.

A – Gross Contribution

$2.5 \times 20,000 = £500$ p.a.
100

B – National Insurance Savings

Not applicable

C – Tax Relief

$£500.00 \times 20\% = £100.00$ p.a.

D - Net Cost

Amount to deduct from employee's pay each month is:

$£500.00 = £41.67$ gross contribution per month
12

Monthly net cost to employee is:

$(£500 - £100.00) = £33.33$ net contribution
per month

12

Miscellaneous

Employer's Obligations

The employer has a duty under the Trust Deed to advise The Pensions Trust immediately should the employer go into liquidation, receivership or administration or become bankrupt. If any other event occurs relating to the employer which may be of material significance to the Trustee or its advisers, The Pensions Trust must be notified. The employer is also required, by law, to ensure all contributions are received by The Pensions Trust within the stipulated legal time limit and The Pensions Trust will not be responsible for any penalty imposed by the regulatory authorities for failure to do so.

The Scheme is a multi-employer pension scheme and is subject to the provisions of the Occupational Pension Schemes (Employer Debt) Regulations 2005. In the event of an employer ceasing to participate in the Scheme at a time when the Scheme has a deficit in the DB structures on the full buy-out basis, a debt on withdrawal will be due. The full buy-out basis is a prohibitively expensive way of funding pension benefits as it guarantees the pension payable for each member individually with no pooling of risk. For this reason, a very cautious, low return investment strategy is required.

Like almost all defined benefit schemes at the present time, the Scheme has a deficit on the full buy-out basis. At the last actuarial valuation the Scheme Actuary calculated the funding level on a full buy-out basis to be 66%. Whilst this is better than many defined benefit schemes in the UK it does mean that if a solvent employer withdraws from the Scheme there will be a debt due from that employer equal to its share of the deficit calculated on the full buy-out basis.

An employer will be deemed to have withdrawn if contributions are no longer being paid into the Scheme by, or on behalf of, any active members.

This booklet is intended to provide an explanation of the main benefits under the Scheme. If there is any conflict between the interpretation given in this booklet and the formal Trust Deed and Rules, the legal interpretation of the formal documents will prevail. Copies of the Trust Deed and Rules are available from The Pensions Trust and also on our website at www.thepensiontrust.org.uk

The Pensions Trust is not registered under the Financial Services and Markets Act to give financial advice. Any information that is provided to members or prospective members should, therefore, be taken to constitute information and not taken to constitute advice. When providing information to members or prospective members, the Trust takes care to provide an accurate service but the decision and choice remains the individual's for which The Pensions Trust cannot be responsible.

Trustee's Insurance

In order to provide some protection for the Trustee against inadvertent regulatory failures for which the Trustee is responsible, every participating employer is required to pay a small premium, which is currently approximately £20 every three years. You will be advised when payment is due.

Benefit Statements

Benefit statements will be sent direct to all active and deferred members, showing their accumulated benefits, each year.

Scheme Literature

Copies of the latest documents are available on our website at www.thepensiontrust.org.uk, in the Document Library > Scheme Literature > CARE. Should you require any additional copies please telephone us direct on 0113 394 2553 or email us at enquiries@thepensiontrust.org.uk

In all other circumstances please write to your regular contact at the address below.

The CARE Scheme

Verity House

6 Canal Wharf

Leeds

LS11 5BQ

Tel: 0113 394 2553

email: enquiries@thepensiontrust.org.uk



The Pensions Trust

Verity House, 6 Canal Wharf, Leeds LS11 5BQ
tel: 0113 394 2553 fax: 0113 234 5599

email: enquiries@thepensionstrust.org.uk
or visit www.thepensionstrust.org.uk