

Established in 1996
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INDEPENDENT
SCHOOLS' BURSARS
ASSOCIATION

Employer Administration Guide



The Independent Schools' Pension Scheme



Administered by
The Pensions Trust

Employer Administration Guide



Admitting New Members

Membership is open to non-teaching employees under 65 years of age.

It is a legal requirement to give basic information about your pension arrangements to members and prospective members.

Members will receive a copy of the booklet 'A Guide for Members' containing this information when they have joined the Scheme. If an employee requires a copy prior to joining please download a copy from The Pensions Trust's website, www.thepensionstrust.org.uk

A representative from The Pensions Trust can visit your organisation to speak to prospective and existing members about the benefits the Scheme offers. Please contact Glenn Austen, Account Manager (see page 15 for contact details).

Cost to new members

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 relief and National Insurance. The Scheme is contracted-out of the State Second Pension – 'S2P' – so employer and member pay reduced National Insurance contributions. To assist you in providing help for your employees we have enclosed an 'Employee Cost Calculator' on page 12 which will help you to calculate the net cost.

General information – enrolling a new member

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 or a telephone enrolment has been completed.

Part-time and 'term-time only' employees may join the Scheme. Please ensure that the full-time equivalent of the part-time hours, or the number of weeks worked in a year, is noted on the Employee Application Form.

Employees who did not join the Scheme at their first opportunity may apply to join at a later date. However, they will have to declare, and the employer will have to confirm, that they have completed three months' continuous service with no sickness absence before they can be admitted to the Scheme. This requirement protects the Scheme against 'adverse selection' where employees find themselves in poor health and decide to join the Scheme to take advantage of the generous early retirement or death-in-service provisions.

August 2011

Telephone enrolments

The Pensions Trust operate a telephone enrolment system for all employees wishing to join the Scheme. The Administration team will deal with the enrolment process. Please have an Employee Application Form to hand as this will guide you through the information that is required. The Administration team will issue a confirmation document ('membership agreement'). This will show the new member's details, which can then be agreed by both the member and employer.

This 'membership agreement' will need to be signed and returned to The Pensions Trust in order to complete the enrolment process. If this is not returned within a period of two weeks from the date of issue, a reminder will be issued. If it is not received within a further two weeks, it will be assumed that the enrolment is not to proceed.

On receipt of the signed and agreed 'membership agreement', the Administration team will set up the contribution rate and issue final confirmations to both member and employer. You should not deduct contributions until the final confirmation is received. Membership will, however, commence from the date upon which the employer first contacted the Administration team.



Postal Applications

For employers not wishing to use the telephone enrolment system, applications can be submitted by post. Please send a completed Employee Application Form 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 by both the employee and the employer.**

The lump sum death benefit and pension nomination sections should be completed so as to avoid unnecessary delays in the payment of benefits in the event of death-in-service. Basic Data Changes on page 10 of this booklet gives details of how to add or change nominees at a later date.

Once the Employee Application Form has been processed, The Pensions Trust will issue a Membership Certificate direct to the member. You will receive confirmation of the member's membership number and contribution rate. Please quote the membership number in any future correspondence.

Contributions in respect of the member should not be deducted and sent to The Pensions Trust until you have received confirmation of their scheme membership.

Whichever method of enrolment is used, it is extremely important that these application procedures are followed. If this is not the case and an employee dies shortly after the expected date of joining, there could be complications with the payment of benefits.

Backdating membership

(i) Employers

Employers may not backdate their membership of the Scheme. The power to admit employers rests with the Independent Schools' Pensions Committee. Currently employers may join the Scheme if they are an independent school which is a registered charity and affiliated to the Independent Schools' Joint Council (ISJC) or the Scottish Council for Independent Schools (SCIS) or any school that has been granted 'Academy' status or any other organisation closely associated with an eligible school.

(ii) Members

Employers should aim to submit the Employee Application Form to The Pensions Trust before the member's date of joining the Scheme. Sometimes this is not possible and we receive requests for backdating.

It is not possible for either employers or members to backdate their commencement of membership in the Scheme. However, a member may pay Additional Voluntary Contributions to buy additional benefits if they wish to do so. Employers should therefore complete and return the 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 Independent Schools' Pension Scheme

Transfers of pension benefits from other schemes are not allowed after 1 September 2010.

Internal transfers within the Independent Schools' Pension Scheme

An employee may claim continuous pensionable service within the Scheme if they join your organisation immediately after leaving another employer participating in the Scheme and provided that their salary remains the same, or increases. If their salary is lower when they join you it may be more beneficial for a deferred pension to be calculated in respect of their pensionable service with the previous employer, and a new period of pension accrual to commence while they are in your employment.

If a member is entitled to continuous membership of the Scheme you will need to complete an Internal Transfer Form. A new Employee Application Form is not required. The Pensions Trust will advise whether or not the pensionable service is being treated as continuous.

Temporary Absence and Leaving

What to do when a member is absent from work

A member may be absent for some time due to family leave or illness. It is important that you notify The Pensions Trust in either case.

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.

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. Premiums in respect of death in service benefits are payable by the employer when no pension contributions are being paid.

Additional Paternity Leave

Male scheme members may become entitled to additional paternity leave (APL) for babies due on or after 3 April 2011.

Where APL is paid, the same conditions apply as those for paid maternity leave, and where APL is unpaid, you should apply the same conditions as those for unpaid maternity leave.

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. 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, pensionable service 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, pensionable service will be adjusted to reflect the proportion of the full contributions that has been paid.

The full range of death benefits will continue to apply whilst the employee is on maternity leave or family leave. Premiums in respect of death-in-service benefits are payable by the employer when no pension contributions are being paid.

Sick Leave and other temporary absence

If a member is off work due to illness or other agreed absence 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.

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, pensionable service will be unbroken for the period of absence. (Note: where the employer declines to pay arrears, the member may, if they wish, pay the employer's share to provide full service.)

If anything less than the full amount is paid, pensionable service 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 pensionable service for that period.

Where the absence is due to illness or injury and continues beyond 12 months, the member may remain in the pension scheme subject to the employer paying the balance of the member's contributions. In all other cases the member is treated as a leaver from the date they have been absent for 12 months, or the date their contributions stopped if earlier.

The full range of death benefits will continue to apply during periods of absence of up to 12 months. The employer is required to pay premiums to cover the cost of these benefits if no pension contributions are being paid during the member's absence.

What to do when a member leaves the Scheme

Complete and return a Withdrawal Form to The Pensions Trust, prior to the member's date of leaving, if possible.

For those employers using the eBusiness system, the Withdrawal Form is completed online. This must be completed within two months of the member leaving and all outstanding contributions should be submitted prior to completion of the form. You will not be able to submit further contributions for any members via eBusiness should you breach this time limit, until the Withdrawal Form is completed.

Once The Pensions Trust has received the form, a letter will be issued direct to the member's home address outlining the options available:

- **A deferred pension** – The pension remains in the Scheme and continues to increase whilst in deferment. Benefits can be taken at age 55 but are reduced for early payment. Members with a protected pension age can retire before age 55 but they will have to leave their job to do so.
- **A transfer** – It may be possible for the member to transfer the benefits from the Scheme to another registered pension arrangement. Members who wish to investigate this option should ask their 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' membership. Members will receive a refund of the contributions which they have paid into the Scheme. There are two deductions from the refund:
 - i) 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 to the Scheme; and
 - ii) an amount which will buy the member back into the additional State Pension (known as State Second Pension).

Please note that if the member has transferred benefits from a previous arrangement, it may not always be possible for them to receive a refund of contributions.

If the employee is leaving because of ill-health or is retiring, please refer to the next section on 'Retirement and Death'.

Please note that it is important to complete the Withdrawal Form in full. Failure to do so may delay the calculation and quotation of benefits.

An employee who has previously chosen to opt out of the Scheme whilst remaining in employment and who subsequently wishes to rejoin at a later date may do so, subject to the agreement of their employer and the Independent Schools' Pensions Committee, and satisfactory evidence of good health.

Retirement and Death

Retirement

Normal Pension Age (NPA) for scheme benefits is 65 years.

Flexible retirement

There is no longer a requirement for members to leave their employment before they draw their pension. Exceptions to this are if a member retires on the grounds of ill-health or if a member has a protected pension age and chooses to draw benefits before age 55. In both cases the member would have to leave employment before their benefits can be paid.

When a member retires before Normal Pension Age (NPA)

Early retirement can currently be taken at any time from age 55. If the pension is claimed prior to age 65 it will be reduced to reflect early payment. The pension will be smaller than it would be at age 65 because:

- the member will have been in the Scheme for a shorter period; and
- early retirement pensions are expected to be paid for longer.

Benefits earned in respect of pensionable service prior to 1 September 2003 (including service transferred from another scheme) will not be reduced from age 60. This reflects the previous rules permitting retirement between ages 60 and 65, without penalty.

Early retirement can be taken at any time from age 55 unless the member has a protected pension age (although these members will have to leave employment to which the pension benefits relate). If the pension is claimed prior to NPA it will be reduced to reflect early payment.

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 the member decides to retire early, please notify The Pensions Trust who will then send the member 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 member.

Please note that we cannot pay any benefits without a completed Withdrawal Form.



When a member is due to retire at Normal Pension Age

Please complete a Withdrawal Form as soon as possible. The Pensions Trust will then liaise directly with the member 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.

When a member retires after Normal Pension Age

Employees who continue to work after NPA can continue contributing to the Scheme. Benefits earned to NPA will be increased to take account of the later payment and added to the benefits earned after NPA.

Pension must be paid no later than age 75. Death benefits will continue to be provided on the same basis as they were before NPA.

As soon as you know the date the member expects to retire, please notify The Pensions Trust and send a completed Withdrawal Form.

When a member has to retire because of ill-health

Please inform The Pensions Trust as soon as it seems likely that a member 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 member to complete and return a form giving consent for The Pensions Trust to contact their doctor for a medical report.

In order for the member to qualify we must be satisfied that they 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 member 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.

What to do when a member dies

As soon as you become aware a member has died please telephone your normal contact at The Pensions Trust.

You should provide as much information as possible so that benefits can be calculated. You should follow this up with a letter enclosing either the original death certificate or a certified copy and a completed Withdrawal Form, as soon as this is available.

Any further information relating to the deceased member'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 birth and/or marriage certificates.

Payroll/Contribution Payment Procedures

The member contribution rate will depend on which of the benefit options your school has chosen to offer to employees.

The benefit options and contribution rates are shown below. All three options are contracted-out of the State Second Pension. Employers who have closed the Scheme to new members will pay an additional 5% of pensionable earnings.

Please note that the rates quoted below are those in force at the current time, and these will vary from time to time. The deficit contribution of 3.9% for the Final Salary options, and 3.5% for the CARE option is not payable by new employers.

Option 1 – 'final salary 60ths'

Members will earn a pension benefit of 1/60th of their final pensionable earnings for each year of membership.

The total cost of this option is 20.6% of pensionable earnings plus, where relevant, 3.9% of pensionable earnings to pay off the Scheme's deficit (making a total of 24.5% of pensionable earnings).

The split between employer and member contributions is decided by each employer but the employer must pay at least half of the total cost.

Option 2 – 'final salary 80ths'

Members will earn a pension benefit of 1/80th of their final pensionable earnings for each year of membership.

The total cost of this option is 16.3% of pensionable earnings plus, where relevant, 3.9% of pensionable earnings to pay off the Scheme's deficit (making a total of 20.2% of pensionable earnings).

Option 3 – Career Average (CARE)

Members will earn a pension benefit of 1/80th of their average pensionable earnings (revalued in line with price inflation) over their entire membership. Employers will pay 10% of pensionable earnings plus, where relevant, 3.5% of pensionable earnings to pay off the Scheme's deficit. Members pay a contribution rate equal to their age divided by 10 as a percentage of their salary. For example, a member aged 35 on joining the Scheme would pay a contribution rate of 3.5%; the next year the contribution would increase to 3.6%, and then to 3.7% and so on.

Under option 3, member contributions will increase on 1 September each year, to tie in with the start of the school year. Payroll administrators will have to put a reminder in place to ensure that this annual updating exercise is not overlooked.

Pensionable Earnings

Contributions are payable on (and benefits are calculated using) the member's pensionable earnings, which is normal basic pay and may include contractual bonuses, overtime and allowances (including housing allowances or the provision of housing). Under the Rules of the Scheme, non-contractual overtime is not pensionable.

Note: All contributions paid, and benefits earned before 6 April 2006 are subject to an 'earnings cap'. Please refer to the 'A Guide for Members' or contact The Pensions Trust for further information.

Childcare vouchers: if these are offered to employees, it is the Employer's decision whether to treat the value as pensionable earnings. Please contact The Pensions Trust if you are considering the provision of childcare vouchers.

You should deduct contributions from members' gross pensionable pay before calculating tax under the PAYE system.

If contributions are deducted incorrectly you will be obliged to refund them to the member via your payroll system to ensure that the correct tax deduction is made.

Please note pension contributions should not be deducted from holiday pay, where this relates to outstanding holidays when a member leaves employment, or payment in lieu of notice. Where a member leaves part way through the month, contributions should only be deducted for the portion of the month they are still employed and not for the whole month.

Where an employee has temporary promotion or additional duties, they should **not** pay contributions on their additional earnings.

Submitting contribution data

Contribution data can be submitted electronically using spreadsheets or using paper-based procedures.

If any of your members pays AVCs to the Flexible Retirement Plan the procedures described below do not apply. Separate instructions will have been issued; these are accessible on The Pensions Trust's website under Document Library > Scheme > Flexible Retirement Plan > Employer Literature > Employer Administration Guide.

Email submission

Contribution data can be submitted by email on an Excel spreadsheet. If you submit data via email, please follow the procedures below.

eBusiness submission

For those employers submitting contributions data via the eBusiness system, please refer to the 'eBusiness Employer User Guide' for further details and requirements.

Data requirements

Every month, employers will be expected to provide The Pensions Trust with a complete list of contributions applicable to each individual member. Payment for the 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
- Contractual Hours
- Full-time Equivalent Hours
- Member Contributions
- Employer Contributions
- Additional Voluntary Contributions
- Comments

The preferred format for employers with an expected membership of more than 10 is an Excel (or compatible) spreadsheet showing each of the above categories in a separate column. (The same information would also be acceptable in a .csv file.) The columns should show only the required information and there must be only one row of information per member. The 'comments' column should hold any relevant data changes i.e. changes to salary, working hours, leavers, maternity leave, sick leave etc and also show the relevant date of the change.

This information should be sent by email to: contributions@thepensionstrust.org.uk and we will contact you with the relevant changes when a decision has been advised.

Withdrawal Forms should be completed and submitted for any members who have left since the previous month.

Manual (paper-based) submission

Every month, for employers who cannot provide data electronically, The Pensions Trust provides employers with a complete list of contributions that are expected for each individual member, based on the information we hold. We call this list a 'Payment Prompt' and you should check the prompt against the contributions you are actually submitting to us for that month.

If you wish to change from using paper-based Payment Prompts to using spreadsheets please contact the Administration team at The Pensions Trust.

Please note that Payment Prompts are not invoices. They do not show the payment due for that month, but simply an indication of what The Pensions Trust expects should be paid, based on the information currently held in our records. The employer should check what they are actually paying, based on their payroll records, and where this differs from the payment prompt an explanation should be marked on the prompt and submitted to The Pensions Trust, so that our records can be amended.

Withdrawal Forms should be completed for any members who have left since the previous month, and relevant comments made to explain any other changes in contributions from those shown on the prompt.

The Pensions Trust must receive payment of contributions by the 14th of the calendar month following the month in which the contributions were deducted from members' earnings. (The statutory deadline for receipt of payment is the 19th but The Pensions Trust requires prompts to be received by the 14th to allow our records to be updated with information changes. If payment prompts are not received by the 14th we cannot guarantee that changes will be shown on the following month's payment prompt.)

The Pensions Trust will always aim to issue the Payment Prompt to employers well in advance of the statutory deadline for payment. However, if for any reason the Payment Prompt is delayed the employers should not delay making their monthly payment. (See last paragraph in this section, below.)

Payment of contributions

Employers may remit contributions by BACS, standing order or cheque. If you wish to change your method of payment please contact the Administration team at The Pensions Trust.

Late Payment

Whichever format is used for submitting contributions data and payment, please note you are legally obliged to remit, on time, all contributions deducted from members' pay.

The Pensions Regulator may impose penalties on employers who miss payment deadlines.

The Pensions Trust will not be responsible for any penalty imposed on an employer for late payment of contributions.

If you have any queries or require any further information, please contact the Administration team at The Pensions Trust.

Basic Data Changes

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

Change of address

We can take changes of address over the telephone. Before we can update the member's records we will need to ask a few simple questions to verify the member's identity. These are:

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

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

Change of nominee for death benefits

We are unable to accept these changes over the telephone or by email. The member can either:

- provide signed confirmation of the changes; or
- download a Nomination Form from The Pensions Trust's website, and complete and return it to The Pensions Trust.

Members' nominees as held in our records are shown on Annual Benefit Statements to prompt members to let us know if any of the details need to be changed.

Change of name/status

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

All changes of name/status should be confirmed in writing accompanied by a copy of the relevant certificate (marriage, deed poll, decree of divorce, etc). Certified copies are acceptable.

Please note that all original documents will be returned promptly by recorded delivery.

For those employers using the eBusiness system, a change of name or status can be updated online when submitting the contributions data.

Additional Voluntary Contributions (AVCs)

Members of the Scheme may pay AVCs to The Pensions Trust, or to an alternative pension provider of their choice, in order to increase their income in retirement. Full details of the options available, and further information about AVCs, will be provided by The Pensions Trust on request.

The employer is not required to make any extra payment. Please note: if the member chooses to make payments to an alternative provider you are not required to deduct or remit these contributions.

Currently, 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'. Please note that prior to 6 April 2011, the tax relief on contributions may be restricted if the member earns £130,000 a year or more and members should contact The Pensions Trust for further details if this applies. Further information on the Annual Allowance is provided in the 'A Guide for Members' booklet.

As long as the total increase in benefits in any one year does not exceed the Annual Allowance, members will receive tax relief on up to 100% of their earnings. For example, if the member's normal contribution rate (to the Scheme) is 7%, they will have scope to pay up to a further 93% of their earnings as tax-free AVCs. If their contributions exceed 100% of earnings in any tax year, tax on the excess at the member's marginal rate, is payable through self-assessment.

The Annual Allowance is £255,000 until the end of the 2010/11 tax year.

From 6 April 2011, the Annual Allowance will reduce to £50,000 a year, although there will be provision to carry forward unused Annual Allowance from the previous three years. Please contact The Pensions Trust if you require further information.

As long as the total increase in benefits in any one year does not exceed the Annual Allowance, members will receive tax relief on any contributions they pay. If the increase in benefits exceeds the Annual Allowance, tax on the excess at the member's marginal rate is payable through self-assessment.

Any member wishing to pay AVCs to The Pensions Trust should complete an AVC Application Form. Please 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.

You should deduct AVCs from gross pay, in the same way as main scheme contributions, before calculating tax under the PAYE system.

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

Please photocopy this page as required

Employee cost calculator

Calculation of the net cost to the employee

The Government encourages employees to join pension schemes by granting tax relief on their contributions. The Independent Schools' Pension Scheme is also contracted-out of the additional State Pension scheme and so members pay a lower rate of National Insurance. The net cost to the member is therefore considerably less than the gross contribution.

To calculate the net cost to the employee, simply complete the following proforma using the contribution rate applicable for your school's members. In the example overleaf we have assumed the member pays 7%.

A. Gross contribution

$$\begin{array}{l} \text{Contribution Rate} \qquad \qquad \qquad \text{Salary} \qquad \qquad \qquad \text{Gross Contribution} \\ \boxed{} \% \times \text{£} \boxed{} \text{ p.a.} = \text{£} \boxed{} \text{ p.a.} \end{array}$$

B. National Insurance savings

$$\begin{array}{l} \text{Salary} \\ (\text{£} \boxed{} - \text{Lower Earnings Limit}^*) \times 0.016^{**} = \text{£} \boxed{} \text{ p.a.} \end{array}$$

* Please consult the payroll or personnel department for the up-to-date figure (currently £5,004 p.a. for the 2010/11 tax year). If earnings exceed the Upper Accrual Point (£40,040 p.a.), then the maximum saving will be attained (£559.94 for 2010/11).

Please note: The lower and upper earnings limits change each tax year.

**Members currently pay 1.6% less in National Insurance contributions as a result of the Scheme being contracted-out. This figure may change from time to time.

C. Tax relief

$$\begin{array}{l} \text{Gross Contribution (see A)} \qquad \text{Employee's highest tax rate} \\ \text{£} \boxed{} \qquad \qquad \qquad \times 20\% \text{ or } 40\% \qquad \qquad \qquad = \text{£} \boxed{} \end{array}$$

Please note: someone who only just falls into either the 20% or 40% tax band will receive tax relief at 20% or 40% on part of their contributions. Income tax rates are expected to change in the future. Please contact your payroll department for up-to-date rates.

D. Net cost

Amount to deduct from employee's pay is:

$$\begin{array}{l} \text{A} \\ (\text{£} \boxed{}) / 12 = \text{£} \boxed{} \text{ per month} \end{array}$$

But Net cost to employee is:

$$\begin{array}{l} \text{A} \qquad \qquad \qquad \text{B} \qquad \qquad \qquad \text{C} \qquad \qquad \qquad \text{D} \\ (\text{£} \boxed{} - \text{£} \boxed{} - \text{£} \boxed{}) \div 12 = \text{£} \boxed{} \text{ per month} \end{array}$$

Example

A. Gross Contribution

Contribution Rate 7% x £20,000 = £1,400 pa

B. National Insurance Savings

£20,000 - £5,004 x 0.016 = £239.94 pa

C. Tax Relief

Gross Contribution £1,400 x 20% = £280

D. Net Cost

Amount to deduct from employee's pay is:
£1,400 ÷ 12 = £116.67 per month

But:

Net cost to employee is:

(£1,400 - £239.94 - £280.00) ÷ 12 = £73.34 per month

Miscellaneous

Annual updates

At the end of each tax year The Pensions Trust will request details of each member's earnings on which contracted-out National Insurance contributions were paid.

These figures are essential for all types of benefit calculations, and it is important that you provide us with this information as early as possible. Failure to do this may delay the payment of benefits.

If your school offers Option 3 – CARE – then member contributions must be increased on 1 September each year.

Note: the only exception to this is where the member has been in the scheme for less than 12 months as at 1 September, and has not had a birthday since joining. Where this applies, the member's rate does not increase until the subsequent 1 September.

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 their advisers, The Pensions Trust must be notified.

In addition, regulations have been issued which set out the events which employers and trustees have to notify to The Pensions Regulator. The Statutory Instrument (SI 900/2005) sets out the events which are notifiable to The Pensions Regulator. The instructions for notifying the Regulator and the relevant notification form can be found on the website:

www.thepensionsregulator.gov.uk. If you have any queries regarding notifiable events, please contact The Pensions Trust.

For an employer the relevant notifiable events include:

- a decision to take action which may result in a debt to the Scheme not being paid in full;
- two or more changes in certain key employer posts within the previous 12 months;
- wrongful trading;
- breach of a banking covenant;
- a change in your organisation's credit rating;
- a change in control of your organisation;
- the conviction of a director or partner of your organisation for an offence involving dishonesty.



Under the Pensions Act 2004, various activities by employers (or their associates or connected persons) which the Regulator perceives as being aimed at avoiding a pensions debt can give rise to onerous obligations in the form of contribution notices or financial support directions to make good the debt. To help decide which transactions might fall foul of these requirements, employers can seek clearance from the Regulator. The Regulator has issued guidance on the circumstances when it would expect clearance to be sought which include:

- granting of a fixed or floating charge which affects more than 25% of the assets of the employer or group;
- a change in the control group structure of the employer.

The Regulator has also indicated that it expects to be told about such events, whether or not clearance is sought (the notifiable events mentioned above may eventually be expanded to cover these clearance-related events).

A copy of the guidance is available at www.thepensionsregulator.gov.uk/pdf/clearanceGuidance.pdf

Further information can be found on the Regulator at www.thepensionsregulator.gov.uk

Leaving a multi-employer pension scheme

The Independent Schools' Pension Scheme is a multi-employer defined benefit scheme. If an employer leaves, a debt may become due to the Scheme. An employer is deemed to have ceased to participate in the Scheme when it has no active members in the Scheme.

However, a 'period of grace' allows an employer to continue in the Scheme, provided the employer notifies the Trustee of the intention to enrol a member within the following twelve months. If after twelve months the employer still has no active members, then it will be deemed to have withdrawn from the Scheme.

In order to take advantage of the period of grace provisions, the employer must give notice to The Pensions Trust either before or within one month of its last active member leaving the Scheme. Giving notice to The Pensions Trust can be done by completing the standard notice form that is available on our website.

Trustee's insurance

In order to provide some protection for the Trustee against inadvertent regulatory failures for which the Trustee and the Pensions Committee are 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 issued directly to members showing their accumulated benefits each year. Statements are usually issued at the end of November.

Annual funding statements

'Summary funding statements' must be issued to all active, deferred and pensioner members of the Scheme every year. These statements contain information about the Scheme's funding position.

Scheme literature

Copies of the latest documents can be downloaded and printed from The Pensions Trust's website at www.thepensionstrust.org.uk

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